PE/VC Agenda

India Trend Book 2022

IVCA
IVC ASSOCIATION
THE INDIAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION
PROMOTING PRIVATE CAPITAL ECOSYSTEM

EY
Building a better working world

Contents

Foreword

Renuka Ramnath
Chairperson, IVCA
Founder, Managing Director & CEO,
Multiples Alternate Asset Management Pvt. Ltd.

2021 was a record-breaking year for the Indian PE/VC industry.

From a smart recovery in 4Q2020, 2021 went on to shatter all previous records of PE/VC investment and exit activity, as the low cost of capital and easy liquidity unleased by US and European Central Banks unshackled the 'animal spirits' of domestic and international investors alike.

Total PE/VC investment activity in 2021 was at US$77.1 billion, a 62% increase over 2020 levels. The PE asset class (excluding infrastructure and real estate) demonstrated a growth of 79%. This year's investment activity was dominated by start-up investing (US$28.5 billion, growth of 290%) and buyouts (US$22 billion, 86% growth over 2020). Although three sectors – technology (US$16.3 billion), e-commerce (US$15.9 billion) and financial services (US$11.7 billion) accounted for 57% of the total PE/VC investments by value, many sectors like media and entertainment, education, pharmaceuticals, and healthcare showed significant growth. For the first time ever, 14 sectors notched up PE/VC investments exceeding US$1 billion.

Speaking of the size and depth of the PE/VC industry in India, there are over 300 funds actively investing across 5,000 companies with AUM in excess of US$150 billion.

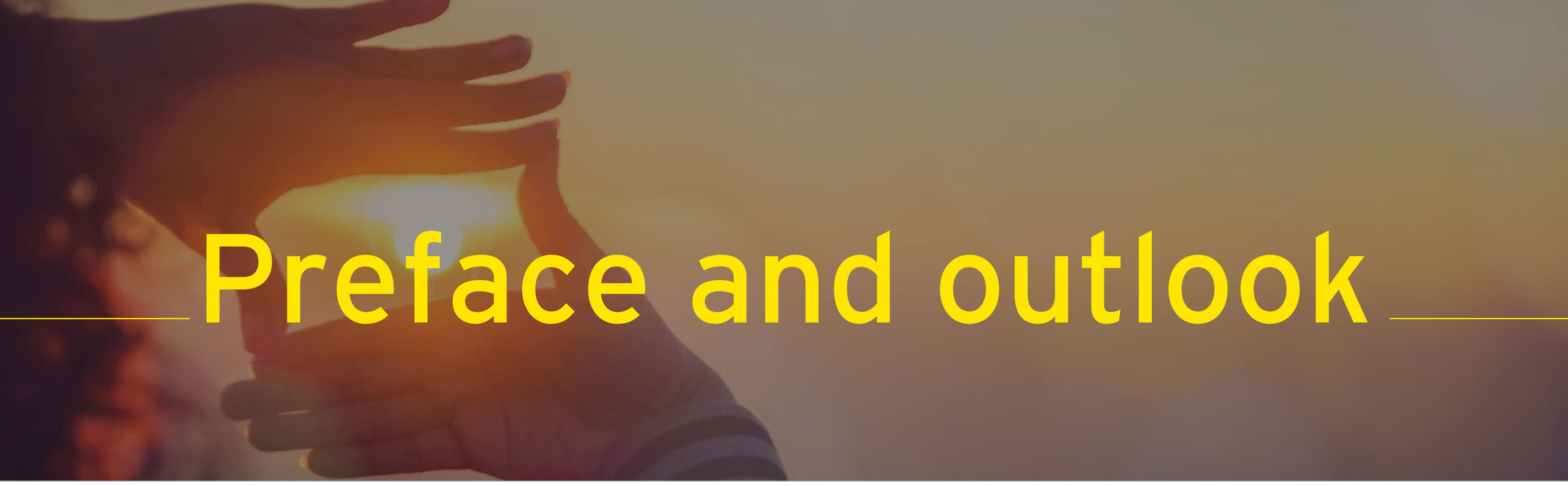
Exit activity was even more exciting, as PE/VC exits crossed US$43 billion, more than 7x the value recorded in 2020. The large exits tally was driven by mega deals in exits via sale to strategics and secondary deals among PE/VC funds.

Key new exit events in 2021 were the SPAC listing by Renew Power and the IPOs by new age start-ups on the Indian bourses.

All of this was made possible by investor confidence in the long-term India story, and for that, we applaud the supportive role played by the Government of India, that has consistently responded to investor concerns by way of policy measures and reform. As India moves towards its aspiration of realizing a US$5 trillion economy, the Indian PE/VC industry has an important part to play. Indian PE/VC investment activity could cross the US$100 billion threshold in a couple of years, making it one of the largest PE/VC markets in the world, outside of US and China. This is a tremendous opportunity for our industry to act as an agent of change and to deliver impact by judicious allocation of risk capital.

I thank all of you for your support and look forward to your continued participation in IVCA initiatives which is working tirelessly to strengthen the Indian private equity and venture capital ecosystem.

I thank the EY team for putting together this report and for their detailed work.



Preface and outlook

Preface

In 2021, Indian PE/VC industry ended with investments of over US$77.1 billion, as the frantic pace of deal making helped drive investment activity across all deal types, sizes, and sectors. PE/VC investments in 2021 were 62% higher than 2020 (154% higher than 2020 ex the one-off RIL deals), principally propped up by pure play PE/VC investments that increased by 79% y-o-y (200% over 2020 ex RIL deals).

After the uncertainties during the first wave of the pandemic, PE/VC investments were on an uptrend in 4Q2020 and the deal velocity picked-up pace, in size and volume, in the second half of 2021 with 3Q2021 and 4Q2021 recording two of the best quarters for PE/VC investments at US$26.1 billion and US$24.4 billion respectively.

The Indian PE/VC investment activity followed the global trend which saw PE investment activity surpass the trillion-dollar mark for the first time[1]. The total value of global PE investments in 2021 recorded US$1.2 trillion, up 96% from 2020. The global economic rebound from the depths of the pandemic, widely available financing for deals, increased consumption levels, the growth in vaccination rates were all factors underpinning deal momentum throughout the year. Deal activity increased significantly across all regions, with the Americas recording a 125% increase in deal activity. Likewise, the value of deals was up by 81% in the Europe, Middle East, and Africa (EMEA) regions and rose 58% in the Asia-Pacific region.

While 2021 saw the continuation of some of the mega trends from the past decade like the growing dominance of mega deals, rebound in buyouts following a sharp decline in 2020, significant direct investments from pension funds and sovereign wealth funds, large investments in financial services, e-commerce and technology, there were some new trends that emerged, like the dominance of start-up investments and India emerging as one of the fastest growing start-up ecosystems, increase in pure-play investments, change in allocation between sectors as well as between sub-sectors within a sector, and investments in new themes/sectors like EV, media and entertainment and education.

This report dwells in detail on some of the new investment trends that emerged in 2021:

- Diverging from the past trend when growth deals and buyouts dominated PE/VC investments, start-up investments emerged as the top investment segment, recording US$28.5 billion and accounting for 37% of all PE/VC investments in 2021. Investments in start-ups was a defining feature of 2021 which saw India overtake UK as the third largest ecosystem for start-ups with 2021 recording 44 unicorns[2].
- India is now amongst the world's fastest-growing start-up ecosystems with over 80 unicorn start-ups as of 2021. The emergence of new models in fintech, consumer internet, education, enterprise tech and media and entertainment has revitalized funding in these sectors.
- Unlike the previous decade which saw significant investments in infrastructure and real estate sectors, pure-play PE/VC investments (investments in sectors excluding real estate and infrastructure) dominated 2021, accounted for 87% of total PE/VC investments by value. Pure play PE/VC investments recorded 79% increase y-o-y (US$66.4 billion in 2021 compared to US$37.1 billion in 2020).
- While most sectors recorded increase in investments with 14 sectors recording over US$1 billion in investments, e-commerce and technology sectors received disproportionate share of the deal flow both in terms of value and volume. Technology and e-commerce were the top sectors each witnessing record level of investments of US$16.3 billion and

[1] https://www.ey.com/en_gl/private-equity/pulse

[2] according to the Hurun Research Institute's Global Unicorn Index

US$15.9 billion respectively, together accounting for 42% of investments by value. As a result, despite receiving highest ever (US$11.7 billion) PE/VC investments in 2021, the financial services sector dropped to the third place after being a leader in the previous decade.

- This shift was driven by a global trend which saw PE/VC funds favour investments in internet and technology enabled business that saw a steep ramp-up in consumer adoption during the pandemic that shortened the earlier envisaged digital adoption cycle. As a result, even traditionally favourite sectors like financial services saw fintech platforms receive major share of the investments (62%).
- As start-up and VC investments dominated 2021, new themes like edtech, electric vehicles, gaming, online streaming, and sports-based entertainment recorded significant PE/VC investment flow of over US$10 billion. Some of the traditional bulge bracket PE funds like TPG, CVC etc. made large outlays in these emerging themes which had traditionally seen small ticket VC funding.
- Larger deals continue to dominate the deal landscape with deals greater than US$100 million accounting for 78% of all deals by value in 2021. 2021 recorded 182 large deals aggregating to US$59.9 billion compared to 93 large deals aggregating to US$38.5 billion in 2020.

The maturing of the Indian PE/VC market has seen PE funds emerge as quasi conglomerates building businesses, PE funds now set-up investment platforms and adopt a buy and build approach. As a result, ad-on investments by PE portfolio companies have recorded an all-time high of over US$10 billion in 2021.

The past decade was marred by a lack of large scale exits which held back the narrative of India as an attractive PE/VC market despite the large market, fast paced growth, and opportunities for capital deployment. This has changed in 2021 which recorded an all-time high of US$43.2 billion across 281 exits, rebounding smartly from a five-year low of US$6 billion in 2020. Large strategic deals, record levels of secondary trades and frantic IPO activity catapulted exits to 7x the value recorded in 2020 and 60% higher than the previous high of US$27 billion recorded in 2018.

This report covers some of the key highlights of exits in 2021:

- Exits via sale to strategics were the highest at US$16.9 billion (94 deals) in 2021 as large, cash rich corporates as well as PE/VC backed category leaders / platforms used the pandemic induced opportunity to consolidate market share and acquire new capabilities.
- Secondary exits in 2021 were the highest ever both in terms of value and volume recording US$14.4 billion across 56 deals. With high global liquidity and low interest rates lifting valuations across public and private markets alike, many PE/VC funds sitting on older vintage investments used this opportunity to exit long held positions at reasonably good valuations.
- PE-backed IPOs were at an all-time high with 44 IPOs raising US$13.1 billion and provided a major liquidity event for PE/VC funds who garnered US$5.1 billion in the offer-for-sale component of these IPOs.
- A new trend amongst this year's listings were IPOs from new-age start-ups including Nykaa, Policybazaar, Paytm etc., overseas listing and listing via the SPAC route.

Outlook

PE/VC investments

PE/VC investments in 2022 have gotten off to a good start, with Jan-Feb 2022 investments being more than twice that of Jan-Feb 2021 but 7.6% lesser than the previous two-month period Nov-Dec 2021.

Exhibit 1A

Investments	Value US$ million			Number of deals		
Deal type	2021 (Jan-Feb)	2021 (Nov-Dec)	2022 (Jan-Feb)	2021 (Jan-Feb)	2021 (Nov-Dec)	2022 (Jan-Feb)
Growth capital	1,733	2,596	2,363	28	32	33
Start-up	1,792	5,652	5,592	118	133	172
Credit investment	158	679	448	14	17	16
PIPE	126	701	402	7	17	8
Buyout	327	1,627	1,592	3	6	10
Grand total	4,135	11,255	10,396	170	205	239

Source: EY analysis of VCCEdge data

Large scale global liquidity, low yields, relatively benign inflation and returning of normalcy across countries amidst increasing rates of vaccinations and falling severity of subsequent COVID waves helped the global financial markets, both private and public, record all-time high values. The year saw global PE/VC investments decisively gravitate towards technology led businesses as sectors like consumertech, edtech, fintech, SaaS, healthtech etc., received disproportionate share of investments.

Looking ahead, PE/VC market in India will enter a markedly different environment with the imminent rise in interest rates, rising inflationary pressures, potentially hawkish monetary policies with winding down of stimulus programs. This is likely to impact the valuation multiples that have been on a record high over the past year and may see some downward revision in some of the over-heated segments.

The supply chain and rising inflation pressures have already had an impact on many of the portfolio companies of PE/VC funds and are expected to persist for longer than previously anticipated, thus making a focus on value creation more pertinent to ensure favourable exit multiples amidst margin pressures. This along with ESG could become the key areas of focus for PE/VC funds in 2022.

While India dedicated fundraising was modest in 2021 at US$7.7 billion despite an all-time high fundraising recorded globally of US$732.6 billion[3], GP and LP allocations towards India are expected to increase since India remains one of the only bright spots of growth globally with one of the fastest growing start-up ecosystems. With global funds increasing India allocations and many new funds looking to enter India, the India dedicated fundraise too could pick-up pace in 2022.

While a short period of high interest rates is unlikely to change LP/GP allocation, if rates go much higher and persist for a longer period there could be a rebalancing in investors' portfolios that can impact India allocations.

The ongoing Russia-Ukraine conflict has already dampened investor sentiment who are becoming more circumspect and are moving funds into safe-haven investments. As a fall-out of the conflict, oil prices are at a multi-year high which does not augur well for inflationary pressures globally and for India in particular, given our high dependence on imported oil. Any further escalation in the currently underway conflict could impact the weak global recovery and in-turn investment flows into India, as 85% of the funds invested in India are from global pools of capital. Also, important to watch out are the election results in some of the key states as it can have significant impact on the Government's policy trajectory running-up to the assembly elections in 2024.

The medium to long-term outlook for India is positive and the Indian PE/VC industry could reach US$100 billion in the next 2-3 years, potentially making it the third/fourth largest PE/VC market globally. However, the immediate outlook for 2022 is a bit hazy due to the inflationary pressures and imminent tightening by central banks as well as the uncertainty caused by the ongoing geopolitical conflict between Russia and Ukraine/NATO nations. We do need to worry about the spike in oil prices and other commodities over the short term to medium-term.

[3] *https://www.privateequityinternational.com/fundraising-hit-a-new-full-year-record-in-2021/*

PE/VC Exits

Exits have gotten off to a slow start, with Jan-Feb 2022 recording exits 69% and 59% lower than Jan-Feb 2021 and Nov-Dec 2021 respectively.

Exhibit 1B

Exits	Value US$ million			Number of deals		
Deal type	2021 (Jan-Feb)	2021 (Nov-Dec)	2022 (Jan-Feb)	2021 (Jan-Feb)	2021 (Nov-Dec)	2022 (Jan-Feb)
Strategic	1,073	43	127	23	17	15
Secondary	1,961	1,537	1,526	11	4	6
IPO	2,517	2,283	8	19	14	1
Open market	1,054	572	19	24	11	2
Buyback	430	-	-	3	-	-
Grand total	7,034	4,435	2,182	80	46	24

Source: EY analysis of VCCEdge data

High liquidity and low funding cost had ensured availability of many buyers, especially for high growth businesses. Further with capital markets having a strong momentum and reaching all-time highs the environment was also suitable for IPOs that enabled many PE/VC funds to take the IPO route for exit at significantly higher valuations than available in the private market.

With large corporates acquiring start-ups to augment their e-commerce and technology capabilities, new pools of capital are now available to provide PE/VC investments good exit opportunities. Deals like TATA's acquisition of Bigbasket for US$1.2 billion are indicative of this emerging trend. While PE-backed IPOs were a hit among investors in 2021, the recent sharp correction in some recently listed start-ups in the initial months of 2022 has dampened the sentiment for IPOs from start-ups and other companies to an extent. However, this could potentially increase secondary transactions as many companies that had lined up to list in 2022 may need to seek buyers in the secondary market.

With better-than-expected Indian economic revival[4], successful vaccination drives and abating of the COVID pandemic, we expect 2022 to build on the momentum set in 2021. However, we remain cautiously optimistic given the significant rise in business uncertainty.

We look forward to your feedback and hope you have a fruitful and safe 2022.

Vivek Soni
Partner and National Leader

Private Equity Services, EY India
vivek.soni@in.ey.com

[4] India Economic Pulse - *economic indicators and policy measures*

1 A brief review of 2021

A brief review of 2021

After a tough 2020, 2021 has been a spectacular year for both investors and investees alike in terms of investments and exits, surpassing all previous records by a significant margin. Indian PE/VC investments in 2021 closed at an all-time high of US$77.1 billion (62% increase y-o-y) and exits recorded US$43.2 billion, seven times higher than 2020. India market performance has been in line with the global trend which recorded all-time high PE/VC investments of over US$1.5 trillion with PE alone recoding US$1.2 trillion[5] in investments.

- At the end of 2020, PE/VC investments were already trending upwards with the roll-out of vaccines and uncertainty around the impact of the virus subsiding.
- Further, coordinated actions from global central banks and governments to infuse liquidity and provide stimulus caused global markets to stabilize and rise to all-time highs.
- The NIFTY50 index rose 23.7% from 14,018 on Jan 01, 2021 to 17,354 by the end of December 2021, mirroring similar trend across global markets. A similar sentiment was also reflected in the private equity industry with funds making larger investments in successive rounds in new-age businesses as well as some traditional businesses.

By investment strategy:

One of the biggest reasons for hectic investment activity by PE/VC investors in 2021 was the sharp increase in pure-play PE/VC investments (investments in sectors excluding real estate and infrastructure) that recorded a 79% increase y-o-y (US$66.4 billion in 2021 compared to US$37.1 billion in 2020) and accounted for 87% of total PE/VC investments by value.

Headline PE/VC investment value in 2021 was significantly propped up by record PE/VC investments of US$28.5 billion in start-ups[6] which accounted for 37% of all PE/VC investments in 2021 and a rebound in buyouts[7] that recorded US$22 billion in investments, almost twice the value recorded last year.

Growth investments[8] recorded US$19.6 billion across 187 deals, 14% lower than last year (US$22.9 billion). 2020 had recorded large investments in Reliance group entities worth US$17.3 billion. Adjusted for these one-off large investments in 2020, growth investments have grown almost 3.5 times in 2021.

Private investment in public equity (PIPE) deals increased by 46% to US$4.5 billion across 77 deals (US$3.1 billion across 62 deals in 2020). Credit investments were at par with 2020 at US$2.6 billion across 85 deals (US$2.6 billion across 74 deals in 2020).

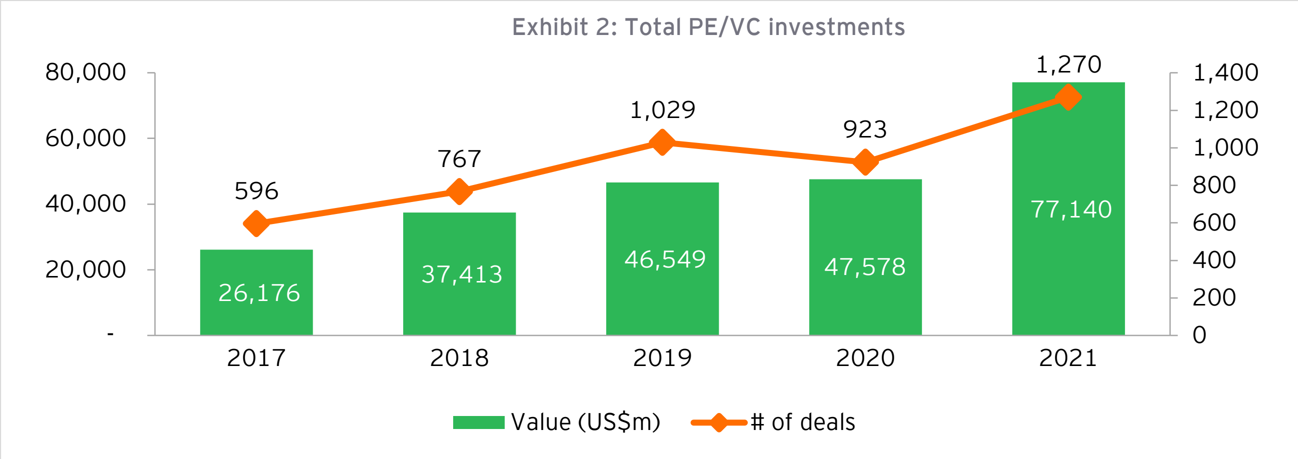
Large deals continue to be a defining feature of PE/VC investments with deals of value US$100 million or greater accounting for 75% of all deals by value in 2021. 2021 recorded 182 large deals aggregating to US$59.9 billion compared to 93 large deals aggregating to US$38.5 billion in 2020.

By sector:

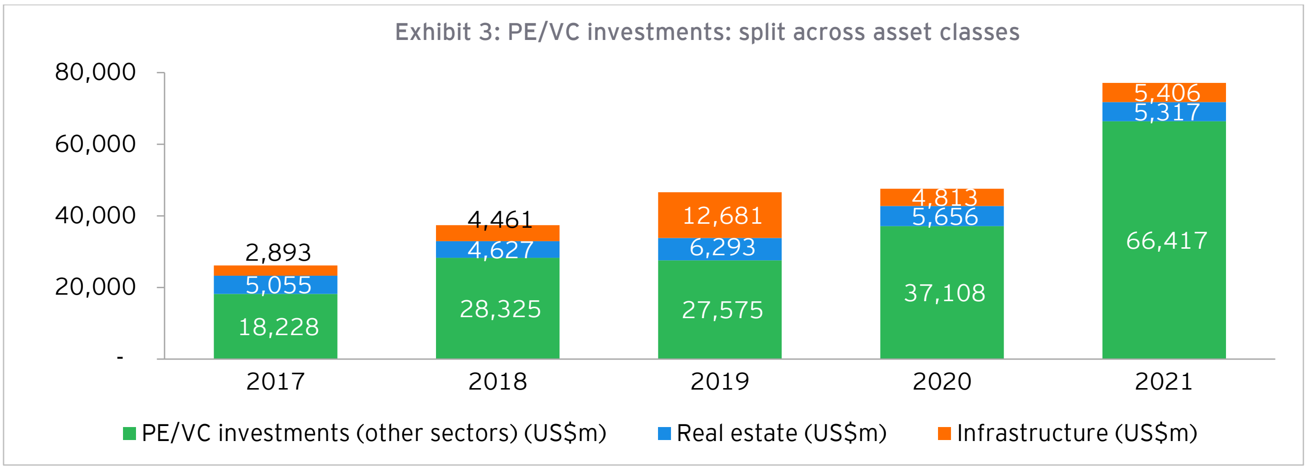
From a sector point of view, almost all major sectors recorded an increase in value of investments in 2021. Technology was the top sector with US$16.3 billion invested across 168 deals (6.4 times increase y-o-y), highest ever value of investments in the sector. E-commerce sector was the next largest sector with US$15.9 billion invested across 203 deals (5.5 times increase y-o-y).

Financial services with US$11.7 billion invested across 239 deals (US$5.4 billion across 159 deals in 2020), real estate with US$5.3 billion across 72 deals (US$5.7 billion across 43 deals in 2020) and infrastructure with US$5.4 billion across 47 deals (US$4.8 billion across 31 deals in 2020) were the other large sectors for PE/VC investments.

[5] EY PE Pulse
[6] Start-ups are defined as companies established within past 10 years
[7] Buyouts are defined as acquisition of more than 50% stake
[8] Growth investments are defined as minority investments other than investment in start-ups



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

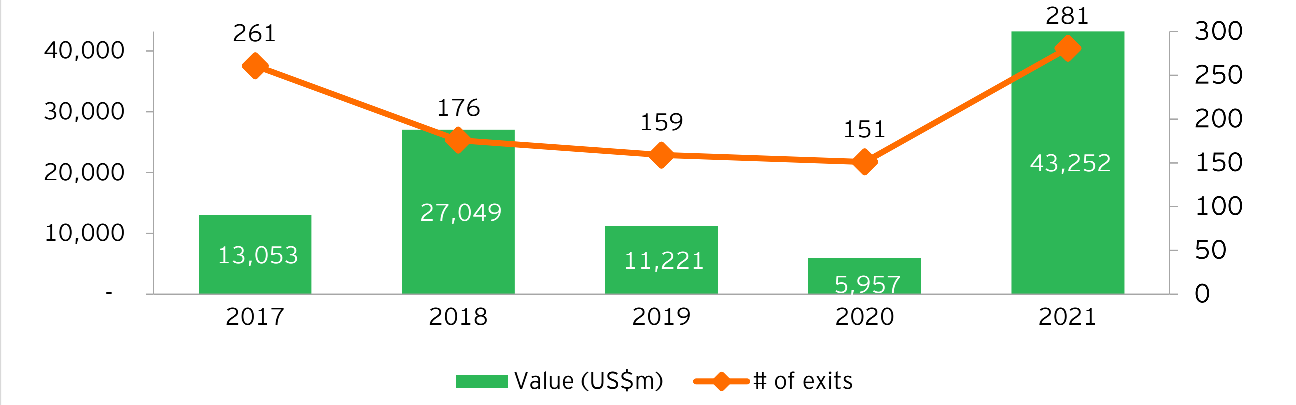
PE/VC exits:

In 2021, exits recorded an all-time high of US$43.2 billion, more than seven times the value recorded in 2020 and 60% more than the previous high of US$27 billion recorded in 2018. In terms of volume, exits recorded an 85% increase compared to 2020 (281 deals in 2021 vs. 151 deals in 2020).

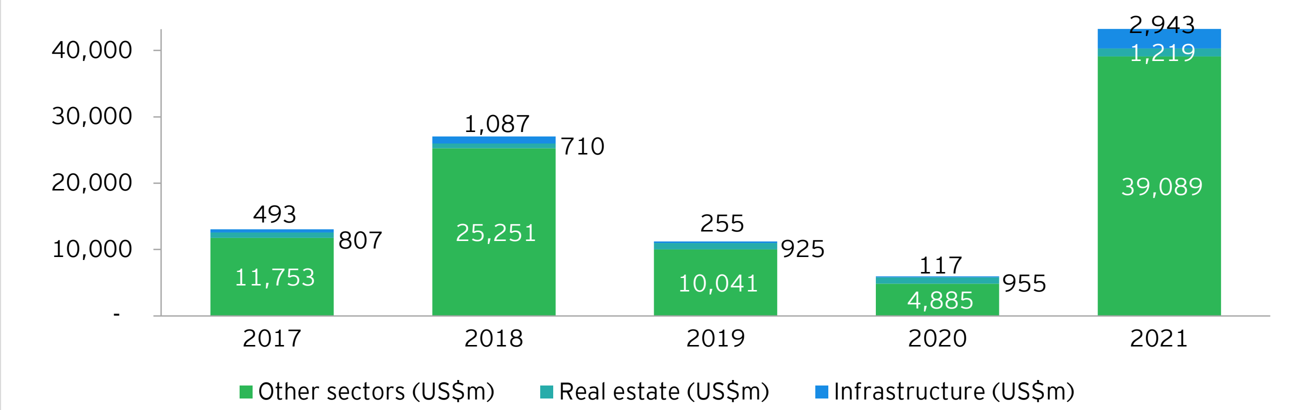
Exits via sale to strategics were the highest at US$16.9 billion (94 deals) in 2021, 16.5 times the value recorded in 2020 (US$1 billion across 44 deals), and second highest value of strategic exits ever. In terms of numbers, strategic deals in 2021 were the highest ever.

Exits via secondary sale (sale to other PE/VC funds) were second in line with US$14.4 billion recorded across 56 deals, which is more than the value recorded in previous seven years combined and 14 times the value recorded in 2020 (US$913 million across 20 deals).

2021 was a record year for PE/VC-backed IPOs with exits worth US$ 5.2 billion recorded across 44 IPOs (2x the previous high of 22 PE/VC-backed IPOs recorded in 2017) which includes many firsts for the Indian market like the first SPAC listing by an Indian company (ReNew Power) and many first-time IPOs by new-age start-ups like Zomato, Nykaa, Policybazaar and Paytm. The Paytm IPO was the largest ever PE-backed IPO in India as well as the largest IPO in India’s corporate history raising US$2.5 billion.



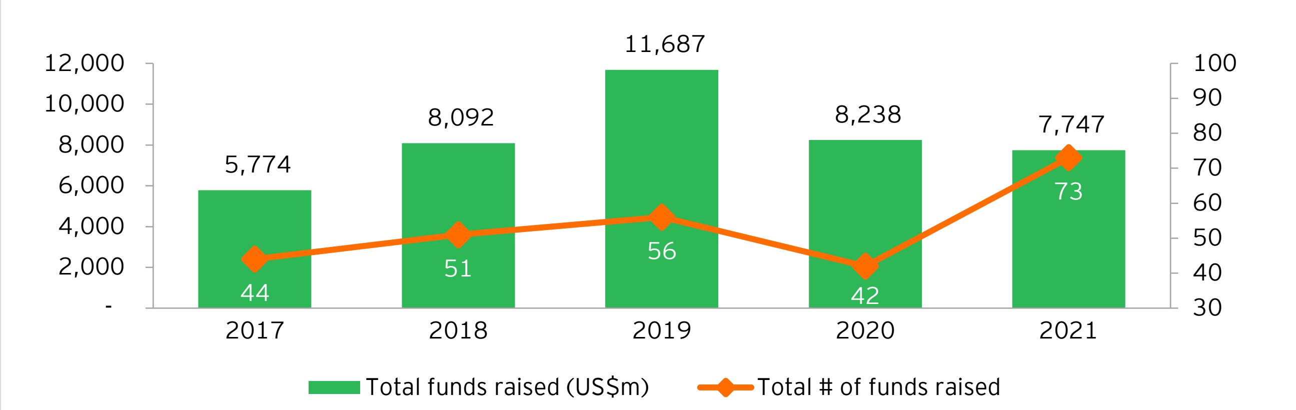
Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

PE/VC fund raising:

Fundraising has witnessed a slowdown over the past couple of years post onset of the pandemic. 2021 saw US$7.7 billion in fundraise; 6% lower than last year (US$8.2 billion in 2020). There were 29 fund raises of US$100 million and above in 2021 compared to 13 last year. However, fundraising by India focused funds is expected to pick-up in 2022 on the back of record high fund-raising globally in 2021. 2021 has recorded a global surge in PE/VC fund raising, during which PE/VC funds raised US$732.6 billion[9], an all-time high and a surge of over19% compared to 2020.



[9] https://www.privateequityinternational.com/fundraising-hit-a-new-full-year-record-in-2021/

2 Key trends of 2021

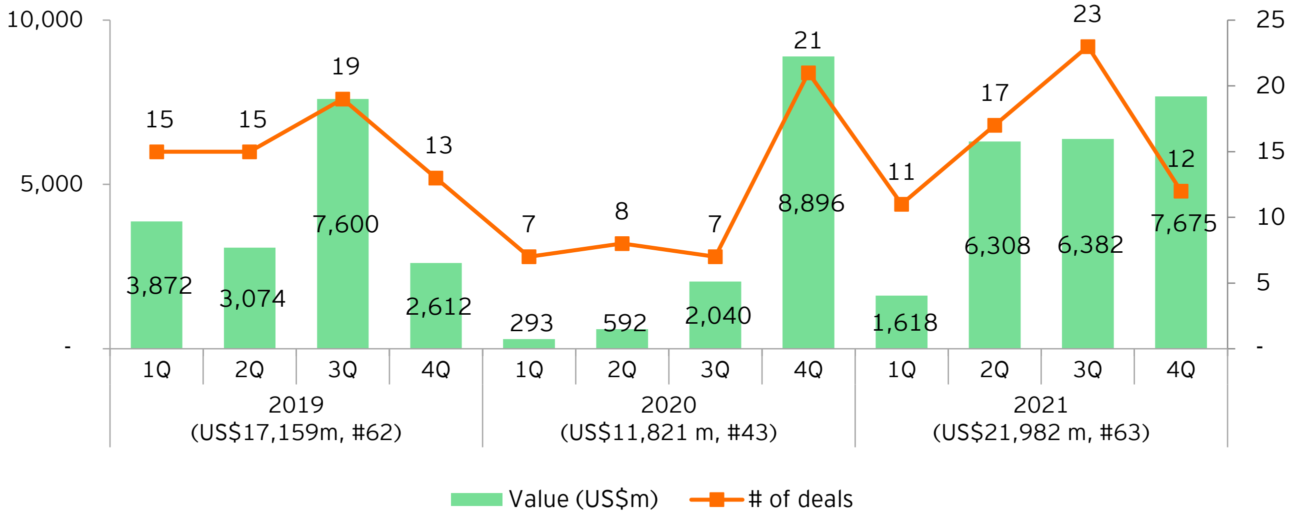
Key trends of 2021

Buyouts record a sharp rebound

Buyouts recorded a sharp rebound in 2021 to reach an all-time high value of US$22 billion, almost two times the value recorded in 2020. Buyouts were severely impacted in 2020 on account of the pandemic, recoding a steep decline of 31% y-o-y (US$11.8 billion in 2020 vs. US$17.2 billion in 2019). In terms of number of deals too, 2021 recorded an all-time high of 63 deals vs. 43 deals in 2020.

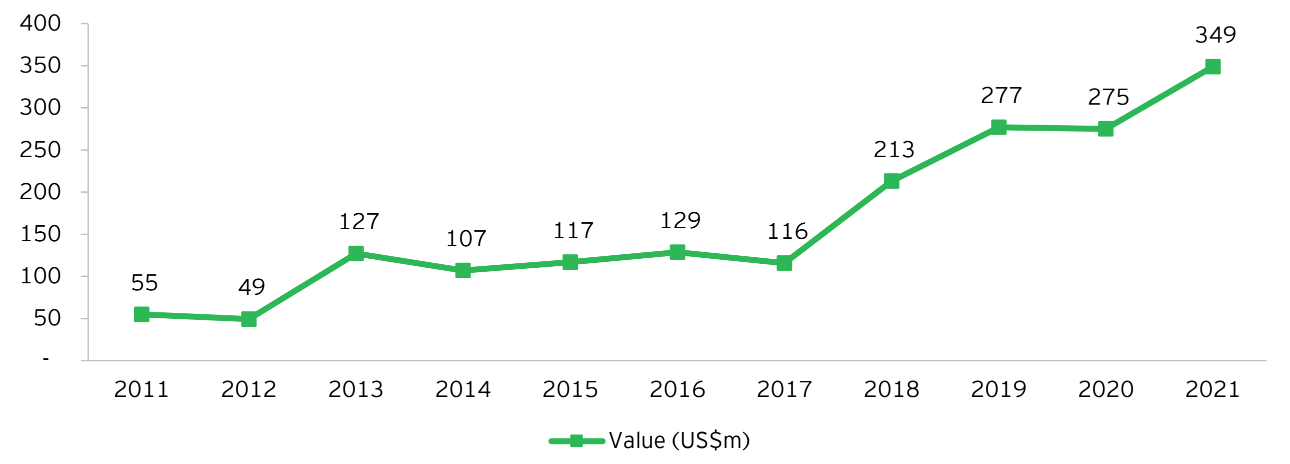
The average size of buyouts too saw a sharp increase of 27% over the past two years and almost three times the deal size between 2013-17 indicating the growing confidence of PE funds to deploy large sums of capital in control transactions.

Exhibit 7: Trend in buyouts



Source: EY analysis of VCCEdge data

Exhibit 8: Trend in average deal size of buyouts



Source: EY analysis of VCCEdge data

An analysis of buyout deals indicates that 79% of the value of buyouts in 2021 is accounted for by deals of value US$500 million or higher compared to 67% in 2020, 65% in 2019 and 45% in 2018. 2021 had 14 deals of value US$500 million or higher compared to eight such deals in 2020 and 11 in 2019.

Exhibit 9: Deal size (US$m)
2020(US$11,821m), 2021(US$21,982m)

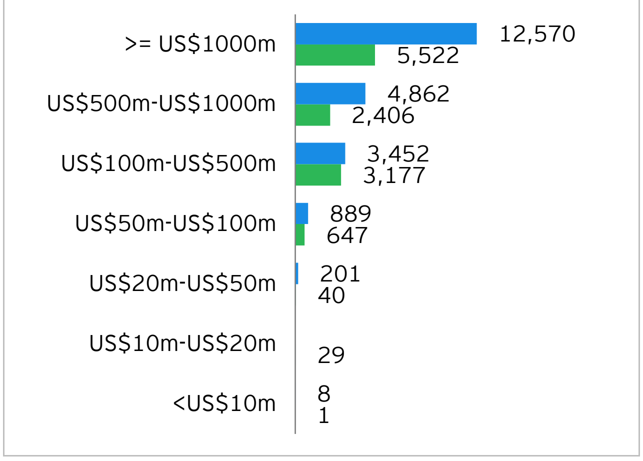
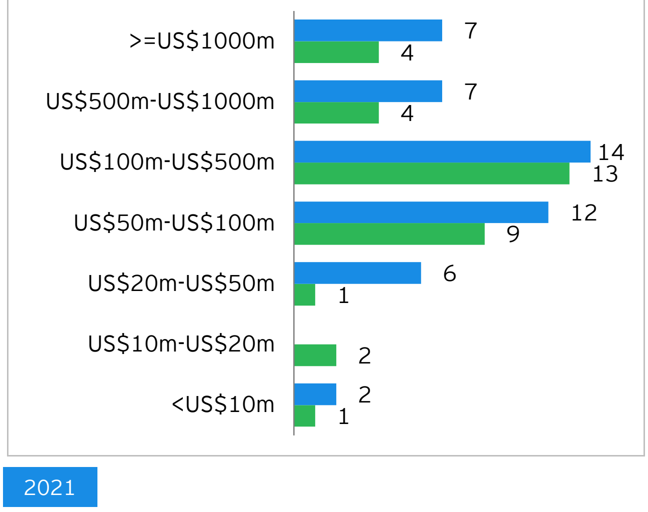


Exhibit 10: Deal size #
2020(43), 2021(63)



Source: EY analysis of VCCEdge data
Deal value not available on 9 deals in 2020 and 15 deals in 2021

In the past decade, the PE/VC investment mix has changed significantly, progressing from primarily minority growth investments into one in which large buyouts have become a significant part of the overall PE/VC investment pie (by dollar value). PE investors are likely to emerge as a new category of promoters of Indian businesses in the next decade as their embrace of Buyouts Strategy comes in line with mature markets. Also, the rising level of stress in corporate balance sheets over the previous decade has provided some attractive opportunities for PE funds to buyout businesses with good brands/assets at reasonable valuations.

Infrastructure and real estate sectors have dominated buyout activity in the past decade accounting for over 50% of all buyouts by value and 40% by volume. However, in 2021, technology sector emerged as a preferred sector accounting for 57% of buyouts by value and 16% by volume compared to 24% by value and 10% by volume in the previous decade.

This trend is in line with the global shift post the pandemic that has seen an increase in investments in the technology sector driven by acceleration in technology adoption by businesses and individuals.

Exhibit 11: Top sectors by value (US$m)
2020(US$11,821m), 2021(US$21,982m)

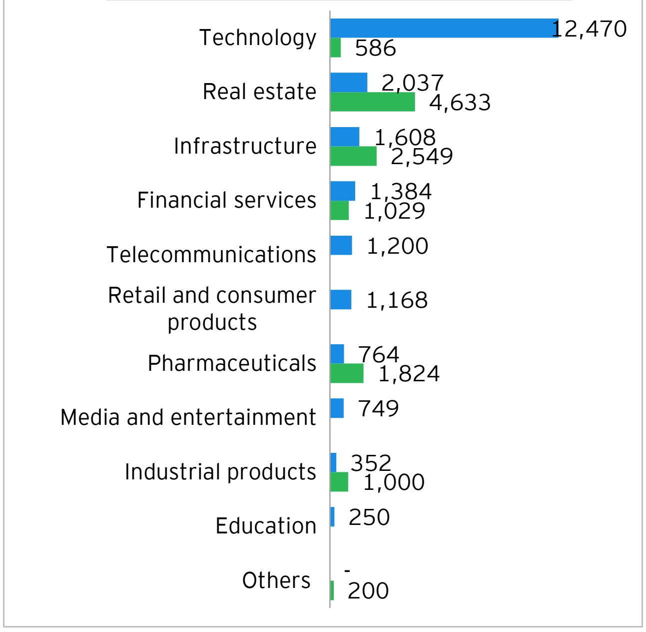
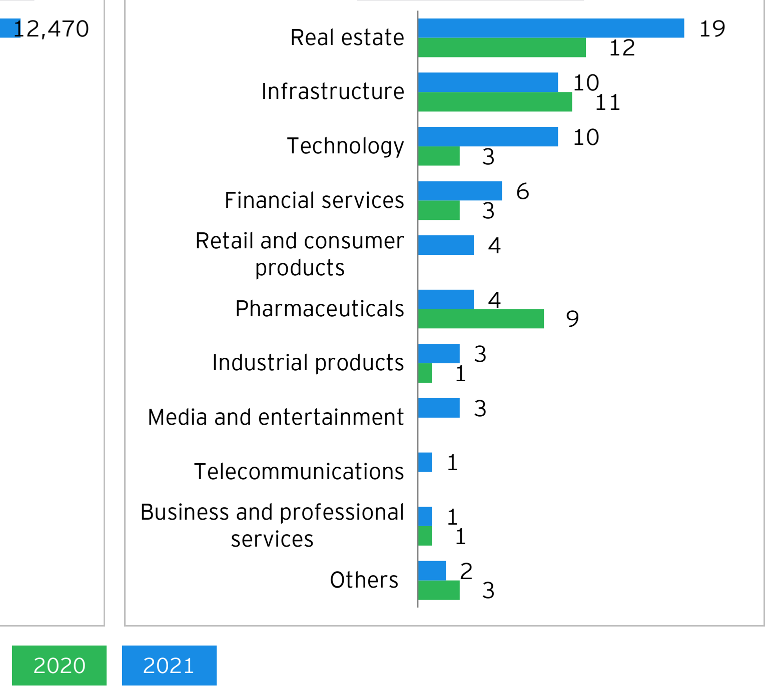


Exhibit 12: Top sectors by # of deals
2020(43), 2021(63)



Source: EY analysis of VCCEdge data

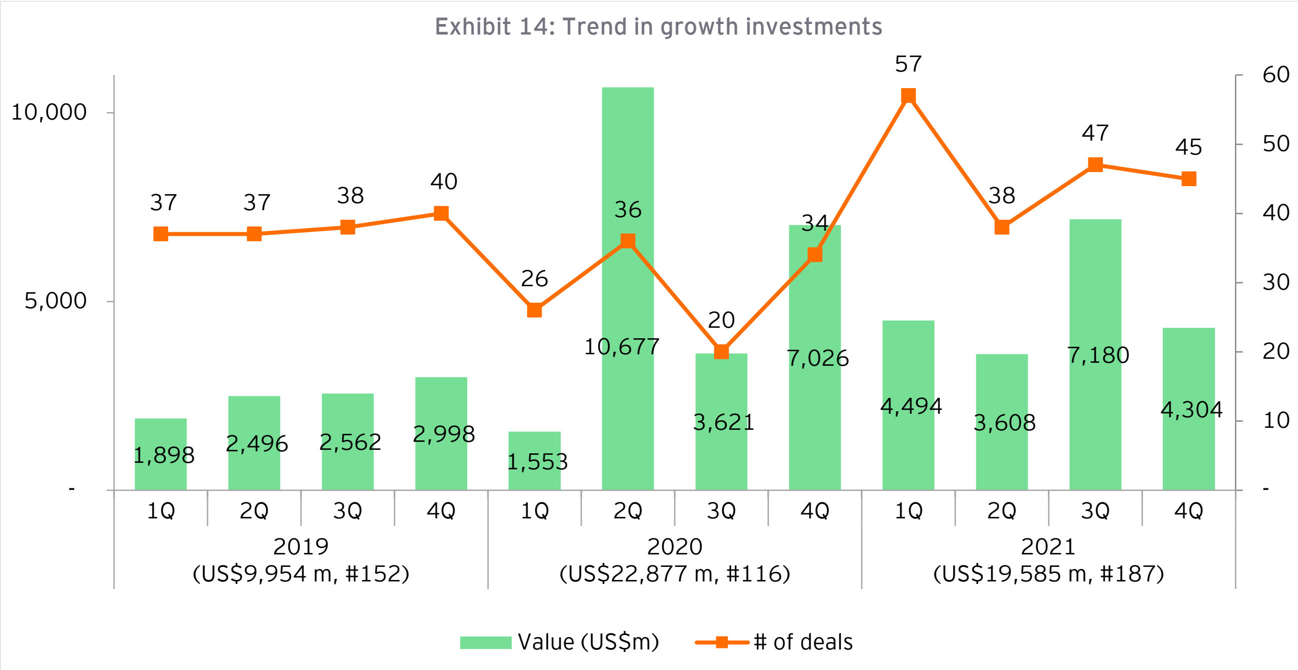
Exhibit 13: Top PE/VC buyouts in 2021

Company/Asset	Investors	Sector	Amount (US$m)	Deal Stake %
Hexaware Technologies Limited	Carlyle	Technology	3,000	100
Mphasis Limited	(BCP VIII and BCP Asia), ADIA, UC Invest, and GIC	Technology	2,800	56
VFS Global Services Private Limited	Blackstone	Technology	1,870	75
Encora	Advent International	Technology	1,500	80
Healthcare Services Business of Hinduja Global Solutions Limited	Baring Private Equity Asia	Technology	1,200	100
Atria Convergence Technologies Limited	Partners Group AG	Telecommunications	1,200	75
ASK Group	Blackstone	Financial services	1,000	74
Straive	Baring Private Equity Asia	Technology	900	100
Infogain Co.	Apax Partners	Technology	800	100
IPL franchise for Ahmedabad	Irelia Company Pte Limited (CVC Capital Partners)	Media and entertainment	749	100
Embassy Industrial Parks Private Limited	Blackstone Real Estate Partners	Real estate	715	100
Vini Cosmetics Private Limited	KKR and Westbridge Capital	Retail and consumer products	648	56
Engie SA-Indian Solar Energy Assets	Edelweiss Alternative Asset Advisors and others	Infrastructure	550	75
EverYondr (Data Center Project in Mumbai)	Everstone, Yondr Group	Infrastructure	500	50
Eureka Forbes Limited	Advent International	Retail and consumer products	421	73

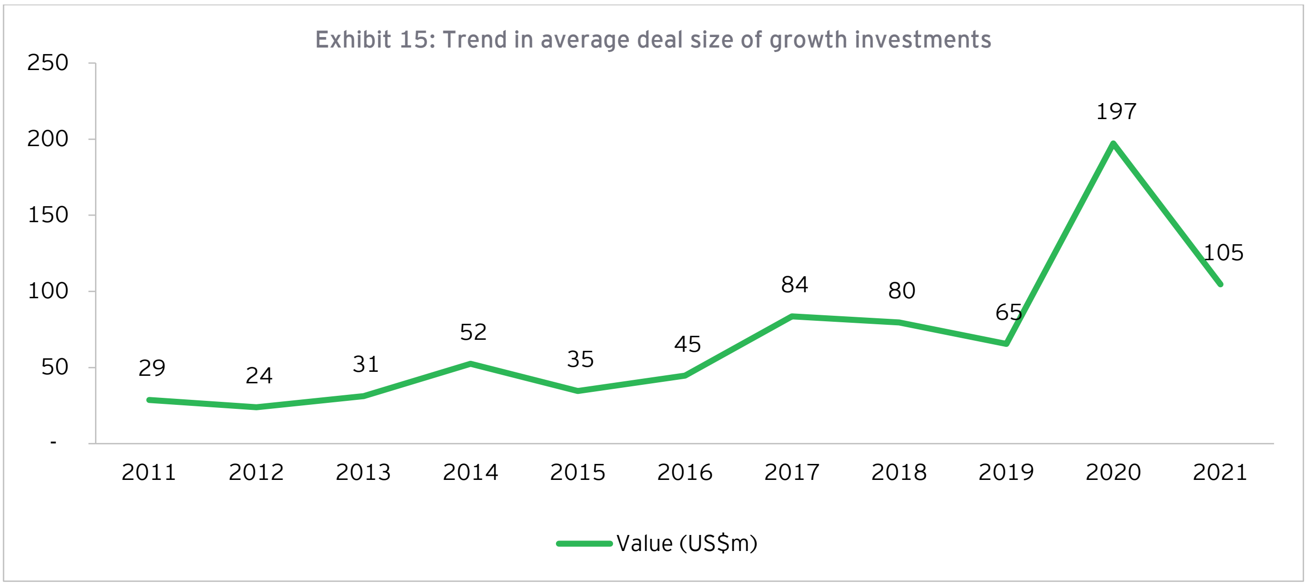
Source: EY analysis of VCCEdge data

Growth investments have become larger and more complex

At first glance, growth investments of US$19.6 billion in 2021 are lower by around 14% compared to 2020. However, growth investments in 2020 were propped up by mega investments worth US$15.1 billion in RIL group companies. Adjusted for these one-off deals, growth investment in 2021 are almost 2.5 times the value recorded in 2020 (US$7.8 billion, adjusted value) and more than twice the value recorded in any of the previous years. This growth was not only driven by higher number of deals but also by an increase in the average deal size. 2021 recorded 187 deals, 61% higher compared to 2020 (116 deals) and an average deal size of US$105 million, which is almost 50% higher than earlier years except 2020 which had a higher average deal size due to the mega deals in RIL group companies.



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

Exhibit 16: Deal size (US$m)
2020(US$22,287m), 2021(US$19,585m)

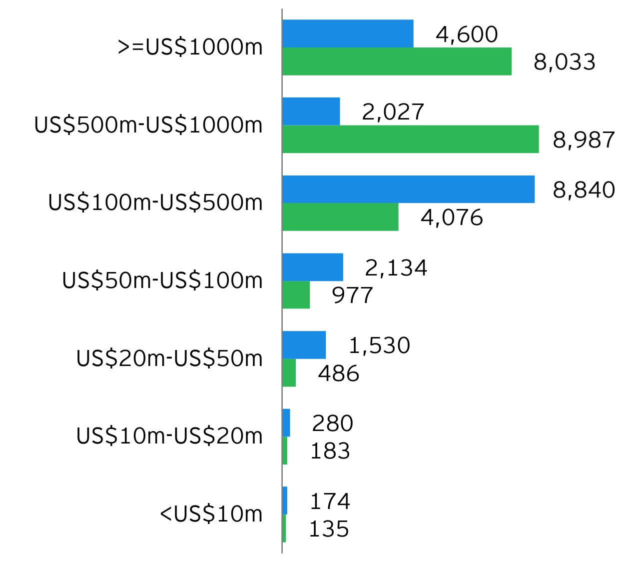
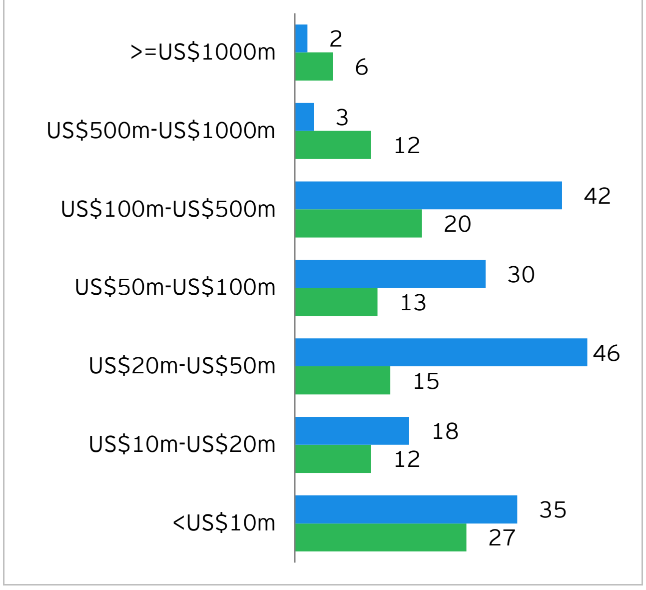


Exhibit 17: Deal size #
2020(116), 2021(187)



2020 2021

Source: EY analysis of VCCEdge data
Deal value not available on 11 deals in 2020 and 11 deals in 2021

Eight sectors recorded over US$1 billion in growth investments in 2021 led by e-commerce, media and entertainment, real estate, and financial services. Like VC/start-up investments, growth investors too have found favour with certain new-age sectors like e-commerce, media and entertainment and education.

2020 had very low amount of growth investments across sectors barring telecom (US$9.9 billion) and retail (US$6.4 billion) which received investments due to one-off mega deals in RIL group entities. In terms of number of deals, financial services, real estate, and technology were among the top sectors.

Exhibit 18: Top sectors by value (US$m)
2020(US$22,287m) , 2021(US$19,585m)

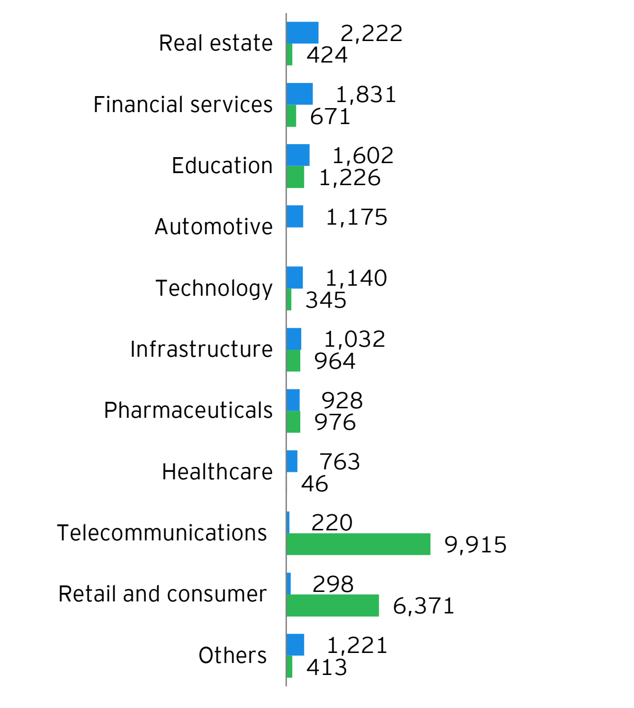
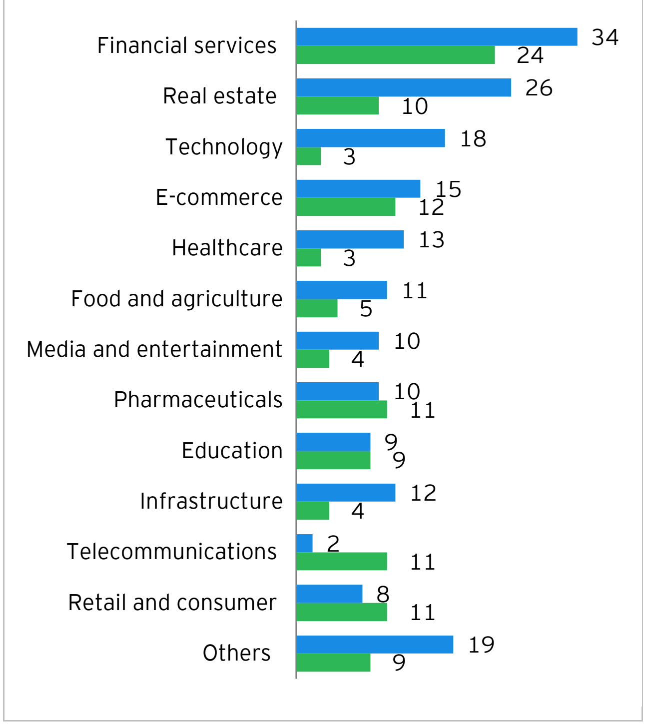


Exhibit 19: Top sectors by # of deals
2020(116) , 2021(187)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 20: Top growth investments in 2021

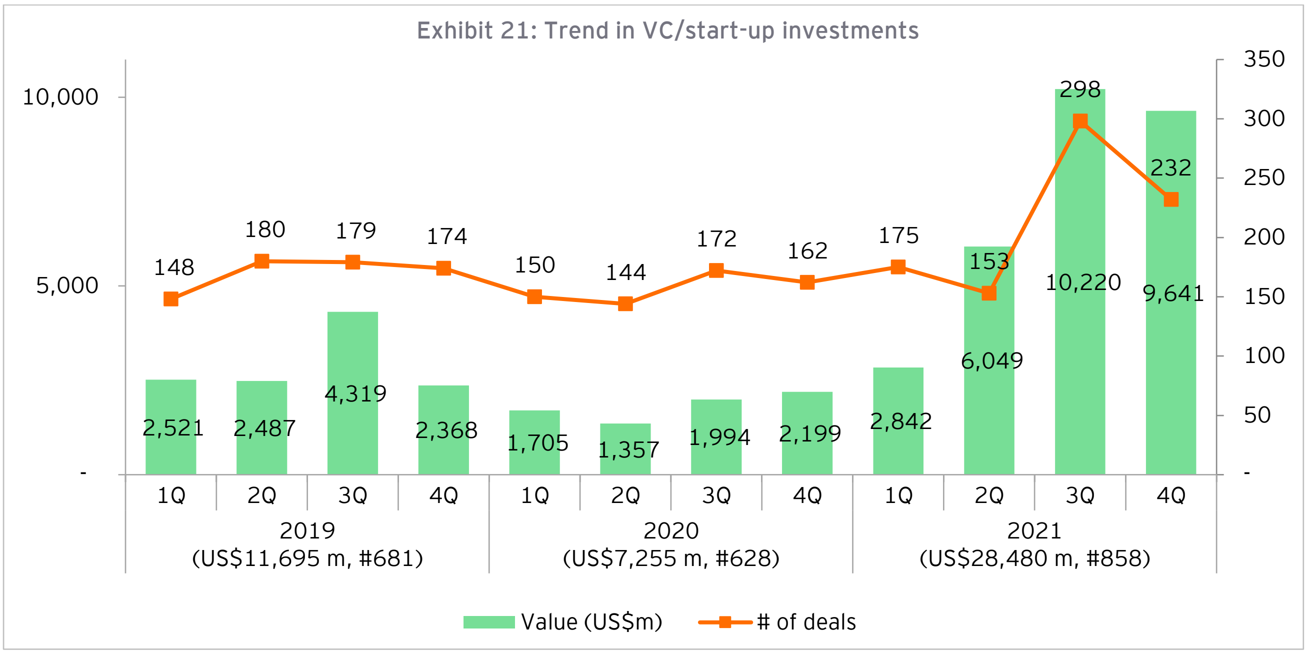
Company/Asset	Investors	Sector	Amount (US$m)	Deal Stake %
Flipkart Private Limited	QIA, SoftBank, Tiger Global, Tencent, GIC, and others	E-commerce	3,600	10
TML EVCo	TPG Rise Climate and ADQ	Automotive	1,000	11
Dream Sports Fields Private Limited	Falcon Edge, DST Global, D1 Capital, Tiger Global, TPG Capital Asia, and Footpath Ventures	Media and entertainment	840	11
Eruditus Learning Solutions Pte. Limited	CPPIB, Accel India, SoftBank, Prosus Ventures, and Sequoia Capital	Education	650	20
NHAI InvIT	CPPIB and OTPP	Infrastructure	537	50
Think and Learn Private Limited (BYJU's)	MC Global Edtech Investment Holdings LP., B Capital, and others	Education	460	NA
Verse Innovation Private Limited (Dailyhunt)	Siguler Guff India Advisors, QIA, B Capital, Sofina SA, Carlyle, and others	Media and entertainment	450	NA
Sporta Technologies Private Limited (Dream11)	Steadview Capital, Tiger Global, TPG, ChrysCapital, D1 Capital Partners, Falcon Edge, and others	Media and entertainment	400	NA
Think and Learn Private Limited (BYJU's)	UBS, Blackstone, ADQ, and others	Education	400	2
RMZ Corp, construction projects JV	CPPIB	Real estate	340	NA
Aragen Life Sciences Private Limited	Goldman Sachs (Principal Investments)	Pharmaceuticals	333	33
Zomato Private Limited	YV Capital, D1 Capital, Steadview, and MVP Fund	E-commerce	319	NA
BrainBees Solutions Private Limited (FirstCry)	Chryscapital, TPG Growth V LP, and Premjiinvest	E-commerce	313	NA
Zomato Private Limited	Tiger Global, Kora Investments, Steadview, Fidelity, Bow Wave, Vy Capital, and Dragoneer Group	E-commerce	250	NA
AG&P City Gas	I Squared Capital	Oil and gas	300	NA

Source: EY analysis of VCCEdge data

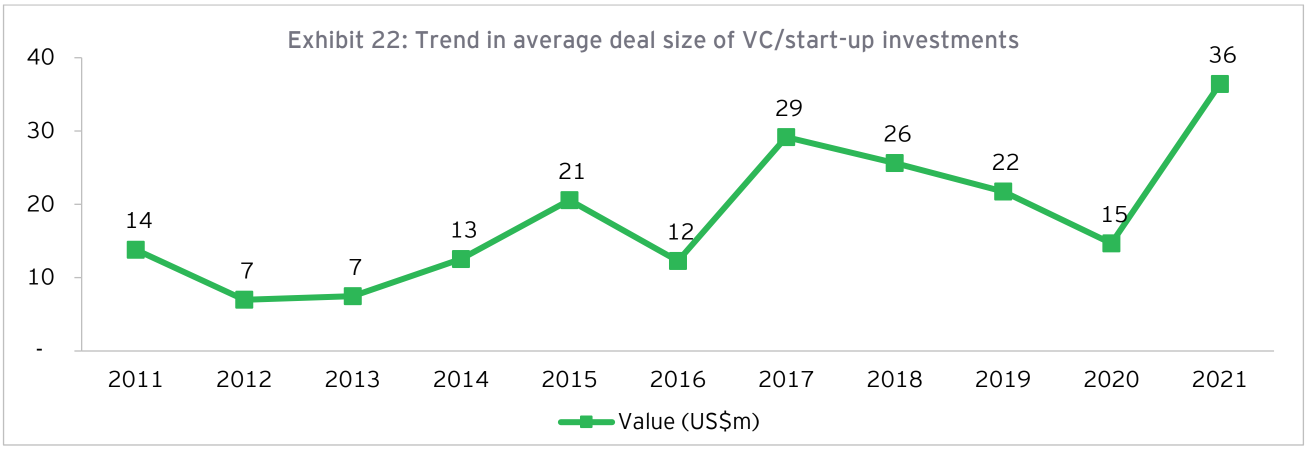
India emerging as a leading ecosystem for start-up/venture capital investments

2021 has been a record year for VC/start-up investments, recording an all-time high of US$28.5 billion which is almost four times the value recorded in 2020 (US$7.3 billion) and is almost equal to the total value of VC/start-up investments in the previous three years combined. Start-ups have emerged as the largest deal segment in 2021 accounting for 37% of total PE/VC investments. By deal volume, VC/start-up investment deals have been the highest ever at 858 deals, 37% higher than last year which recorded 628 deals.

As a fallout of the pandemic, VC/start-up investments were amongst the worst hit in 2020, declining by 38% on a y-o-y basis (US$11.7 billion in 2019) despite the number of deals declining by only 8% (628 deals in 2020 vs. 681 deals in 2019). After the onset of the pandemic, VC/start-up investments declined to a trickle (US$238 million in May 2020) as VC funds became more risk averse and refrained from investing in start-ups which traditionally had high cash burn rates. However, as the pandemic progressed, there was an accelerated adoption of e-commerce/tech enabled businesses globally as well as in India, driven by the ease of use and convenience it provided. The pandemic also accelerated the learning curve for technology adoption and online commerce among the less tech savvy and first-time users.



Source: EY analysis of VCCEdge data



Source: EY analysis of VCCEdge data

As a result, 2021 recorded a strong pick-up in deal activity with average monthly VC/start-up investments of around US$2 billion compared to US$600-800 million in the past couple of years.

While average deal size in the start-up space continues to remain small at around US$36 million with 51% of deals being less than US$10 million in value, the average deal size in 2021 is highest ever after a declining trend since the peak of US$29 million in 2017. Further, there has been a sharp increase in large investment rounds in start-ups (value greater than US$50 million) in 2021, which has recorded 133 deals of value greater than US$50 million aggregating US$21.7 billion, 3.5 times the number of similar deals in 2020 (35 deals worth US$3.9 billion). These large deals account for 76% of all start-up investment value in 2021 compared to 54% in 2020.

Exhibit 23: Deal size (US$m)
2020(US$7,255m), 2021(US$28,480m)

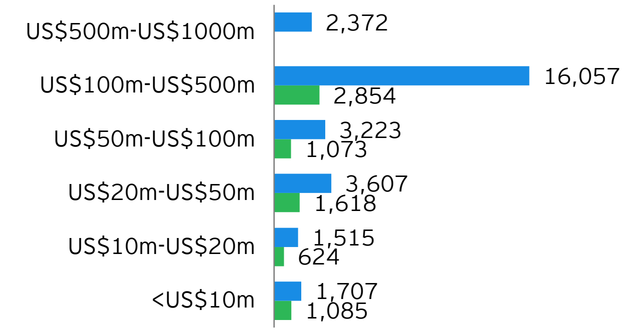
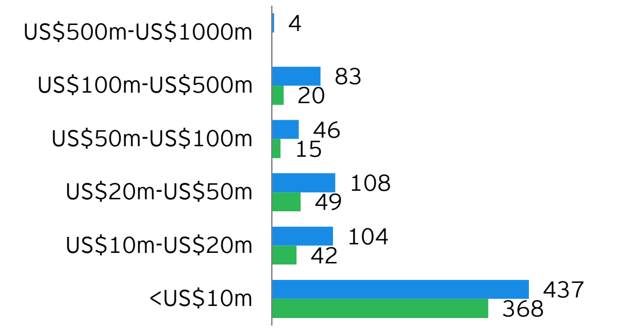


Exhibit 24: Deal size #
2020(628), 2021(858)



Source: EY analysis of VCCEdge data
Deal value not available on 134 deals in 2020 and 76 deals in 2021

E-commerce, financial services (fintech), technology, media and entertainment, education and healthcare were the top sectors for VC/start-up investments recording over US$1 billion in investment each. E-commerce received the highest VC/start-up investments in 2021 of US$9.7 billion (six times the value recorded in 2020 of US$1.6 billion), accounting for 33% of VC/start-up investments in 2021, which is also the highest ever VC/start-up investment in any sector, followed by financial services that received US$7.3 billion in VC/start-up funding (over five times the value recorded in 2020 of US$1.4 billion) and accounting for 25.5% of VC/start-up investment in 2021.

These sectors were also highest in terms of number of deals with e-commerce, financials services and technology each recording over 100 deals in 2021 vs. 2020 which had only e-commerce record more than 100 deals.

Exhibit 25: Top sectors by value (US$m)
2020(US$7,255m) , 2021(US$28,480m)

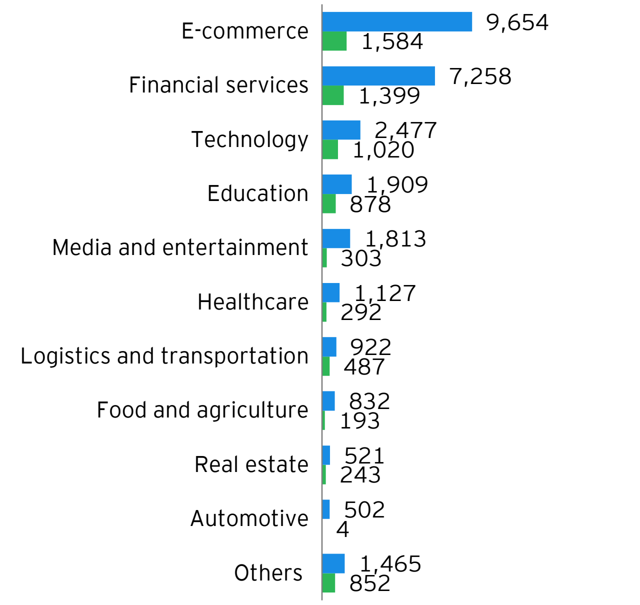
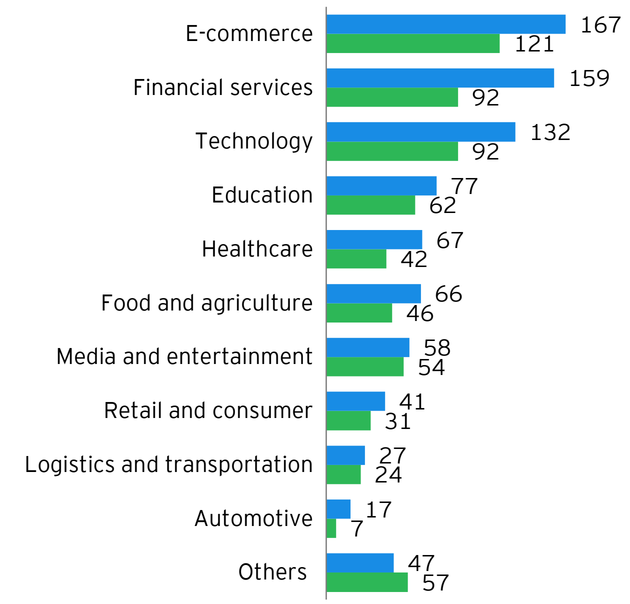


Exhibit 26: Top sectors by # of deals
2020(628) , 2021(858)



Source: EY analysis of VCCEdge data

Exhibit 27: Top VC/start-up investments in 2021

Company/Asset	Investors	Sector	Amount (US$m)	Deal Stake %
Bundl Technologies Private Limited (Swiggy)	Falcon Edge Capital, Prosus Ventures, Accel India, Think Capital GIC, and others	E-commerce	800	16
Meesho Inc.	Prosus Ventures, SoftBank, B Capital, and others	E-commerce	570	NA
Mohalla Tech Private Limited (ShareChat)	India Quotient Fund, Lightspeed, Twitter Ventures, and Tiger Global	Media and entertainment	502	NA
ANI Technologies Private Limited (Ola)	Temasek, Warburg Pincus, and others	E-commerce	500	NA
Bundl Technologies Private Limited (Swiggy)	Softbank	E-commerce	450	9
Cars24 Services Private Limited	DST Global, Moore Capital, SoftBank, Tencent, and others	E-commerce	450	24
Sorting Hat Technologies Private Limited (Unacademy)	Tiger Global, General Atlantic, SoftBank, Temasek, and others	Education	440	13
Razorpay Software Private Limited	Alkeon Capital Management, GIC, Sequoia Capital, Tiger Global, and others	Financial services	375	5
Resilient Innovations Private Limited (BharatPe)	Ribbit Capital, Amplo, Coatue Management, Insight Venture, Sequoia Capital, Dragoneer Investment, Tiger Global, and others	Financial services	370	13

Source: EY analysis of VCCEdge data

On the back of this large and ever-increasing VC funding, India is becoming the world's fastest-growing start-up ecosystem. India overtook the UK as the third largest ecosystem for start-ups[10] in 2021, with over 80 unicorn start-ups as of 2021 which includes more than 50% (44 unicorns) added in 2021 compared to 15 unicorns added by UK. The leading countries - the US added 254 unicorns whereas China saw 74 unicorns added in 2021.

The 44 unicorns that were added in 2021 had a total valuation of US$90.7 billion[11], a record year for the country. 2020 and 2019 saw 10 and 9 unicorns, respectively. Bengaluru is India's unicorn capital with the highest number of unicorns headquartered there, followed by Delhi (NCR) and Mumbai.

With the time to achieve unicorn status shrinking from 10-12 years to as low as two years there are almost 80 start-ups in the soonicorn list with most expected to become unicorns in 2022 provided the PE/VC investment momentum continues. A majority of these are in the fintech, consumer internet, education, enterprise tech and media and entertainment sectors.

The emergence of new models in fintech, media and e-commerce has revitalized funding in these sectors.

Fintech's lead is largely due to the rising adoption of digital and retail payments solutions, neo-banking, defi and crypto exchanges, and API technology for lending, insurance, and banking as well as emerging solutions like buy now pay later (BNPL) and finance process automation.

Disruptions in the consumer sector with quick commerce as well as D2C platforms is attracting VC capital.

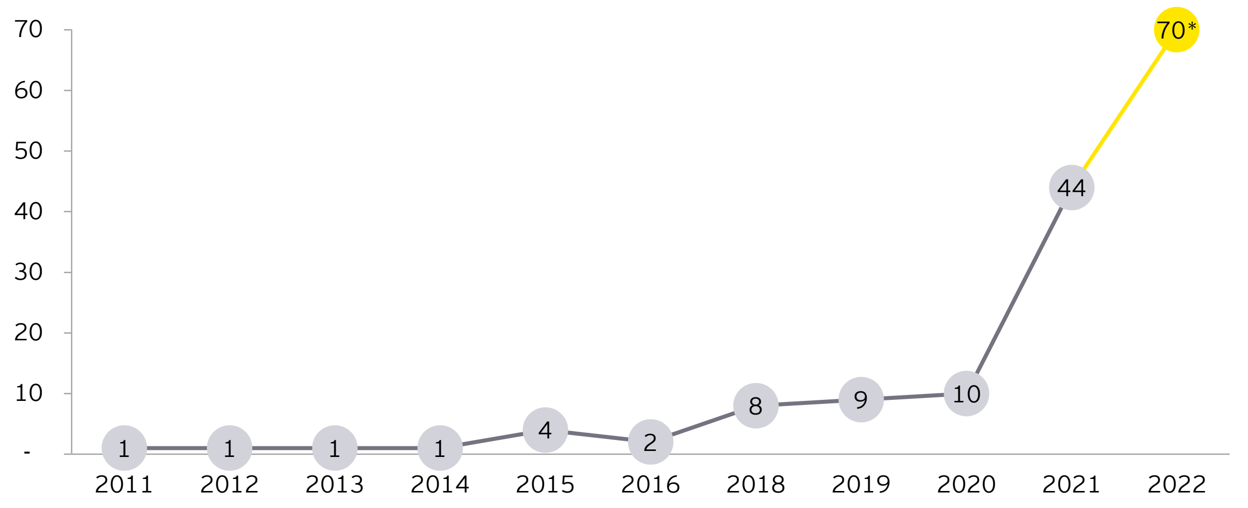
In media and entertainment, it is the gaming platforms, content creators and aggregators with varying niches that are attracting VC capital.

COVID-19 has accelerated digital adoption and the shift to online in the country. This has created new opportunities for tech start-ups that are capitalizing on the same with rapid digital acceleration and a shift to SaaS-based solutions.

[10] The Hurun Research Institute's Global Unicorn Index 2021

[11] Venture intelligence unicorn tracker

Exhibit 28: Trend in number of start-ups attaining unicorn status each year



Source: EY analysis of Venture Intelligence data
**Estimate based on number of soonicorns*

Exhibit 29: Sectoral split of unicorns by value (US$ billion) - 2021

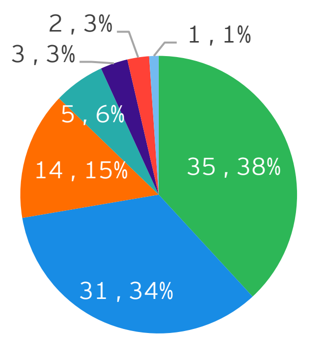
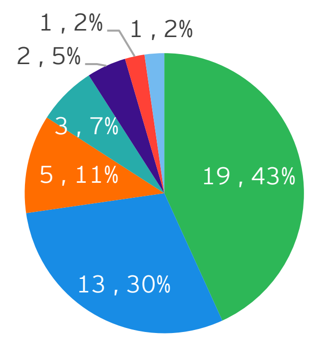


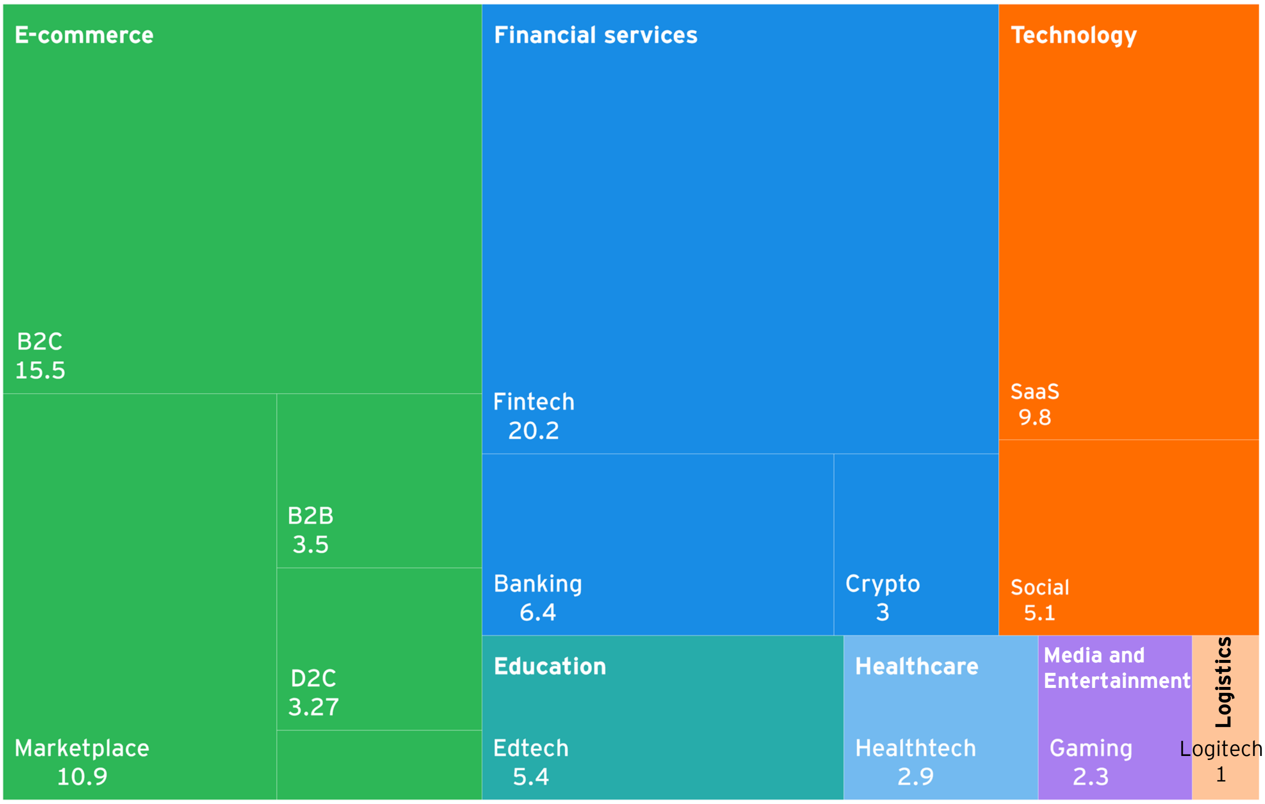
Exhibit 30: Sectoral split of unicorns by volume - 2021



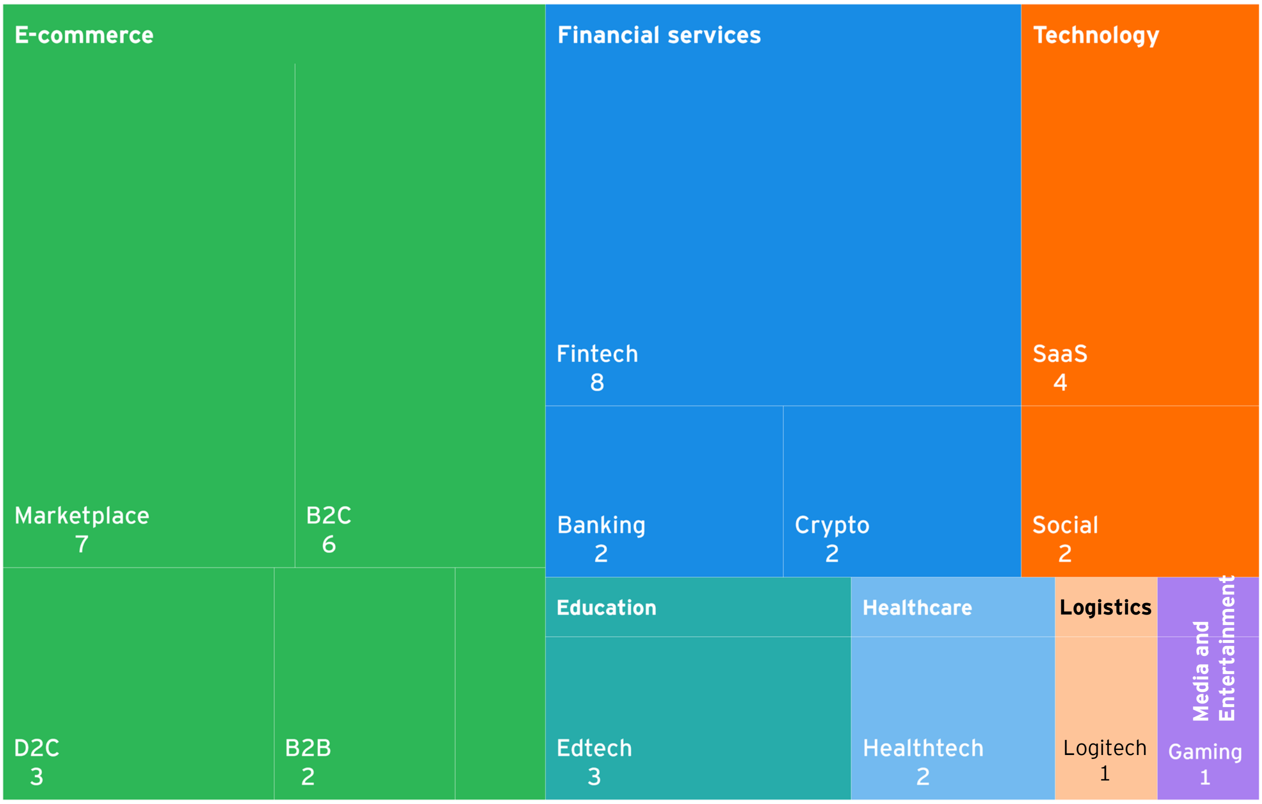
Source: EY analysis of Venture Intelligence data

Exhibit 31:

Sub-sector split of unicorns by value (US$ billion) – 2021



Sub-sector split of unicorns by volume - 2021

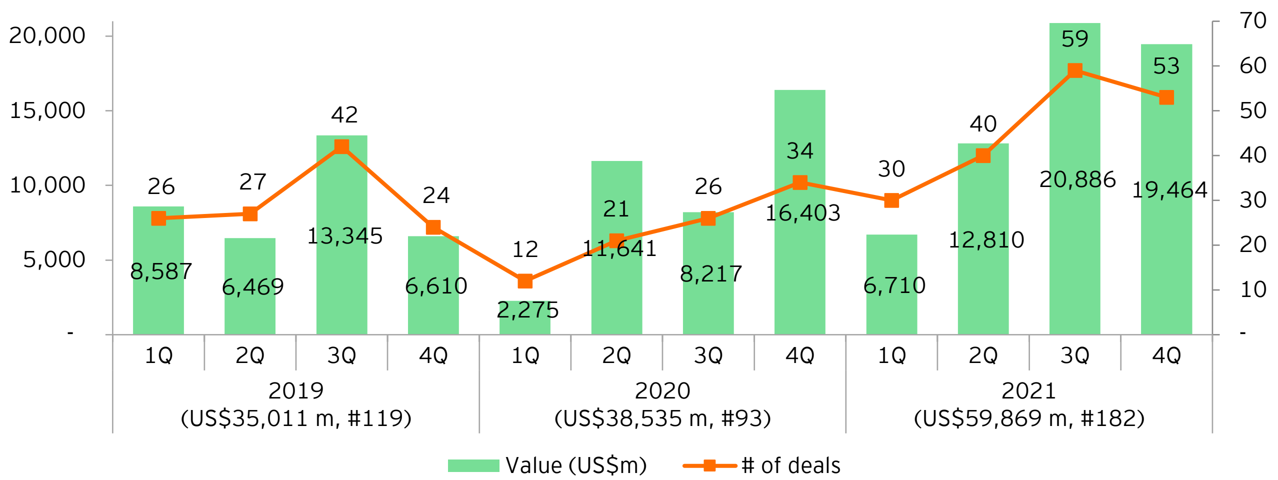


Source: EY analysis of Venture Intelligence data

Large deals are becoming larger and more broad-based with a shift towards new-age businesses

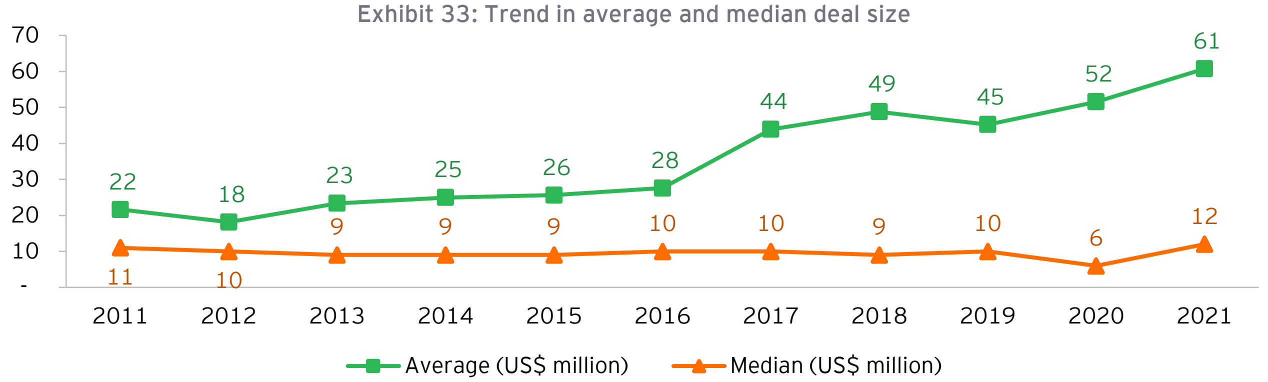
2021 has recorded an all-time high on the back of growing number and size of large deals (deals of value US$100 million and higher). Large deals in 2021 almost doubled in volume compared to last year. The growing prominence of large deals has been a continuing feature of PE/VC investments in India, accounting for 78% of all deals by value in 2021.

Exhibit 32: Trend in large deals (value >= US$100 m)



Source: EY analysis of VCCEdge data

Exhibit 33: Trend in average and median deal size



Source: EY analysis of VCCEdge data

Exhibit 34: Deal size (US$m) 2020(US$38,535m) , 2021(US59,869m)

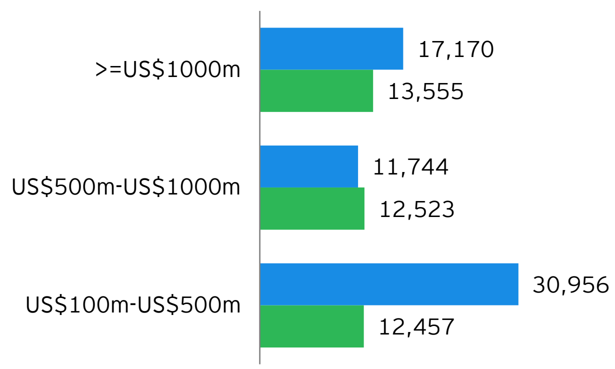
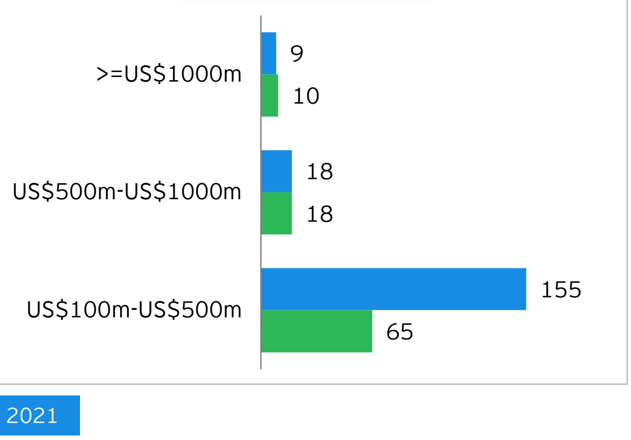


Exhibit 35: Deal size # 2020(93) , 2021(182)



Source: EY analysis of VCCEdge data

While the traditional sectors like infrastructure, real estate and financial services continue to be among the preferred sectors for large capital deployment, there has been a gradual increase in large and mega deals in the e-commerce and technology sectors. E-commerce and technology accounted for 46% of large deals by value and 32% by volume in 2021.

Further, the instances of mega deals have also become broad-based with sectors like automotive and media and entertainment too recording large deals of value greater than US$500 million driven by new emerging PE/VC investment themes like electric vehicles, gaming, and sports-based entertainment.

Exhibit 36: Top sectors by value (US$m)
2020(US$38,535m) , 2021(US59,869m)

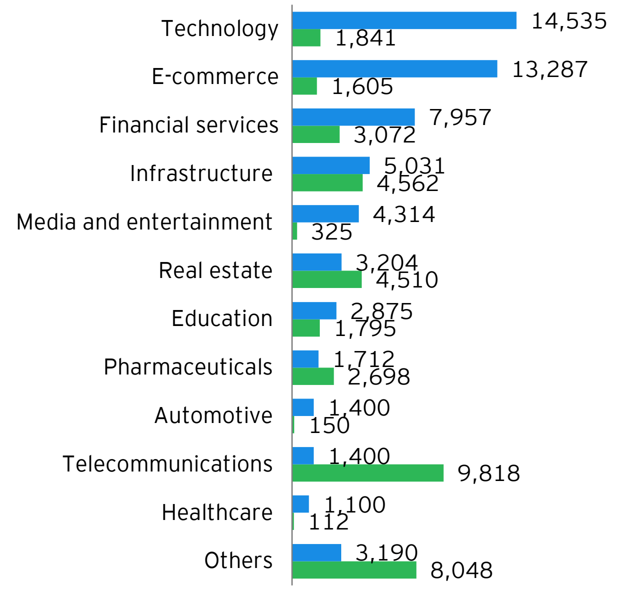
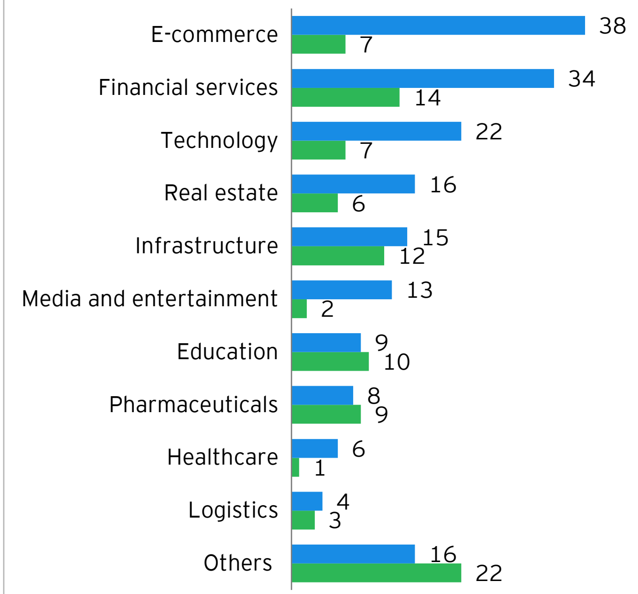


Exhibit 37: Top sectors by # of deals
2020(93) , 2021(182)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 38: Top large deals in 2021

Company/Asset	Investors	Sector	Stage	Amount (US$m)	Deal Stake %
Flipkart Private Limited	QIA, SoftBank, Tiger Global, Tencent, GIC, and others	E-commerce	Growth	3,600	10
Mphasis Limited	(BCP VIII and BCP Asia), ADIA, UC Invest, and GIC	Technology	Buyout	2,800	56
TML EVCo	TPG Rise Climate and ADQ	Automotive	Growth	1,000	11
Bundl Technologies Private Limited (Swiggy)	Falcon Edge Capital, Prosus Ventures, Accel India, Think Capital GIC, and others	E-commerce	Start-up	800	16
IRB Infrastructure Developers Limited	GIC and Ferrovial S.A.	Infrastructure	PIPE	712	42
Eruditus Learning Solutions Pte. Limited	CPPIB, Accel India, SoftBank, Prosus Ventures, and Sequoia Capital	Education	Growth	650	20
NHAI InvIT	CPPIB and Ontario Teachers' Pension Plan Board	Infrastructure	Growth	537	50
ANI Technologies Private Limited (Ola)	Temasek, Warburg Pincus, and Broad Peak Investment Advisers	E-commerce	Start-up	500	NA
Verse Innovation Private Limited (Dailyhunt)	Siguler Guff India Advisors, QIA, B Capital, Sofina SA, Carlyle, and others	Media and entertainment	Growth	450	NA
Sorting Hat Technologies Private Limited (Unacademy)	Tiger Global, General Atlantic, SoftBank, Temasek, and others	Education	Start-up	440	13

Source: EY analysis of VCCEdge data

Investments by pension funds and sovereign wealth funds (SWFs) are at an all-time high with an increased exposure to start-ups

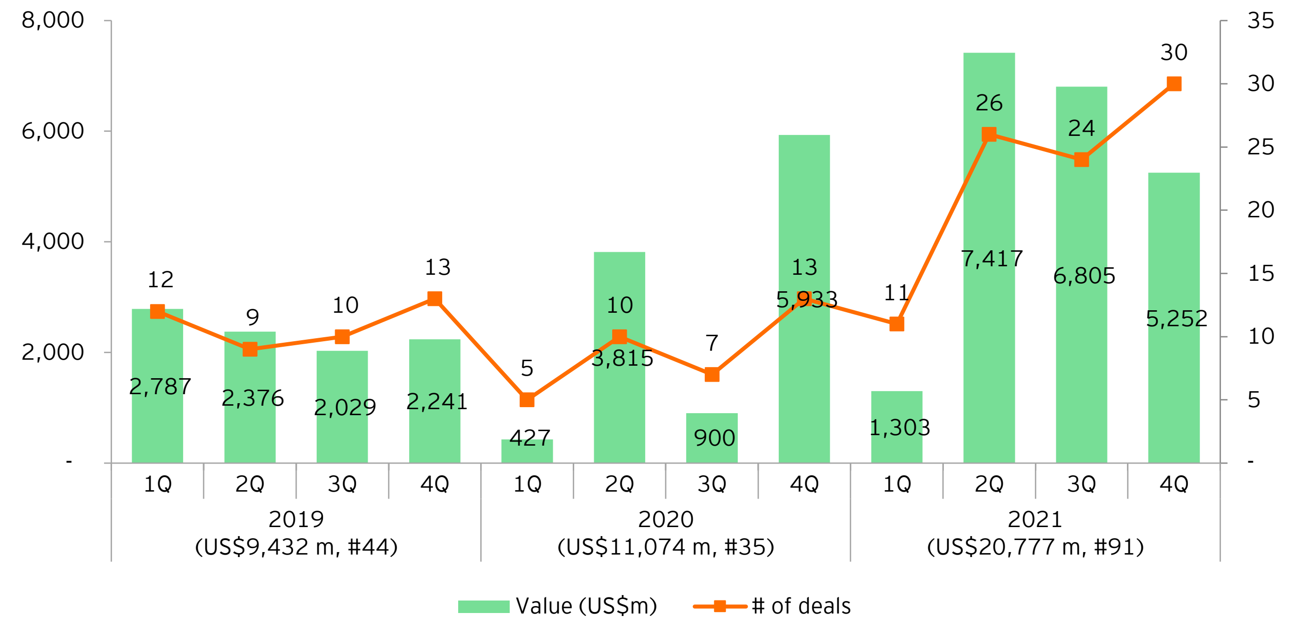
Direct investments from pension funds and sovereign wealth funds have been a major contributor to the tremendous growth seen in PE/VC investments in India. Direct investments by these funds have recorded an all-time high of US$20.8 billion across 91 deals in 2021, accounting for 27% of all PE/VC investments and almost twice the value recorded in 2020.

While traditionally pension funds and SWFs have been growth capital investors, they have made significant investments in start-ups in 2021. AT US$6 billion, investments in start-ups account for 29% of all investments by pension funds and SWFs, which is 10 times the value invested last year and four times the highest value invested till date.

Going forward, their share in investments in India is expected to increase further as many new pension funds and SWFs are looking to enter the India market and those that are already present are looking to increase their India/emerging market allocations. Earlier, many of these funds took the LP route but are now increasingly seeking direct and co-investing opportunities in the India market.

Globally, pension funds tend to invest significant amounts in real assets (infrastructure and real estate), while securing long-term cash flow returns to match their long-term pension liabilities. While in the last decade infrastructure, real estate and financial services have been the top sectors of interest for SWFs and pension funds investing directly in India, the mix has changed in 2021. E-commerce (US$7.2 billion) and technology (US$3 billion) were the top two sectors accounting for 49% of all investments by pension funds and SWFs in 2021, which is also the reason for the high value of start-up investments by these funds. Within e-commerce, pension funds and SWFs have invested in B2C retail, online pharmacies, hyperlocal delivery, and mobility.

Exhibit 39: Trend in investments by pension funds and SWFs



Source: EY analysis of VCCEdge data
Note: complete value of the deal is attributed to pension funds/SWFs when multiple investors are involved in a deal as generally pension funds/SWFs are the lead investors when they are involved in any deal

Exhibit 40: Top sectors by value (US$m)
2020(US$11,074m) , 2021(US20,777m)

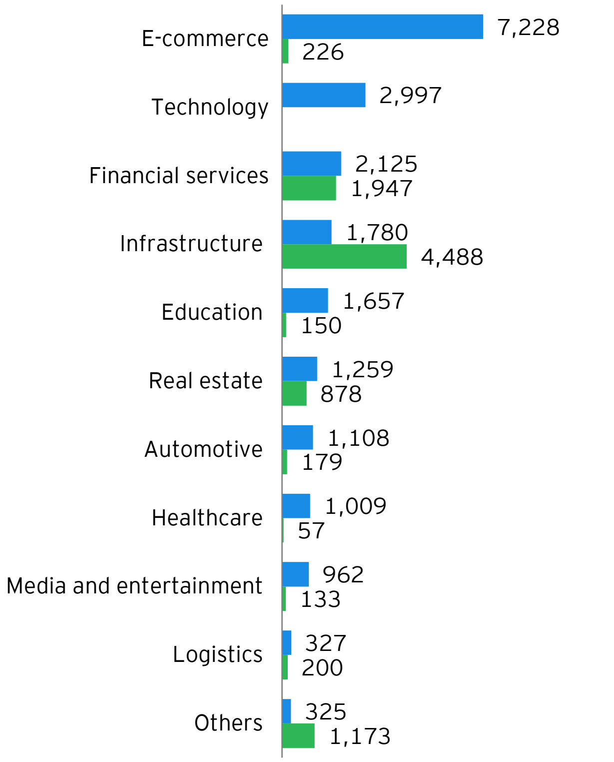
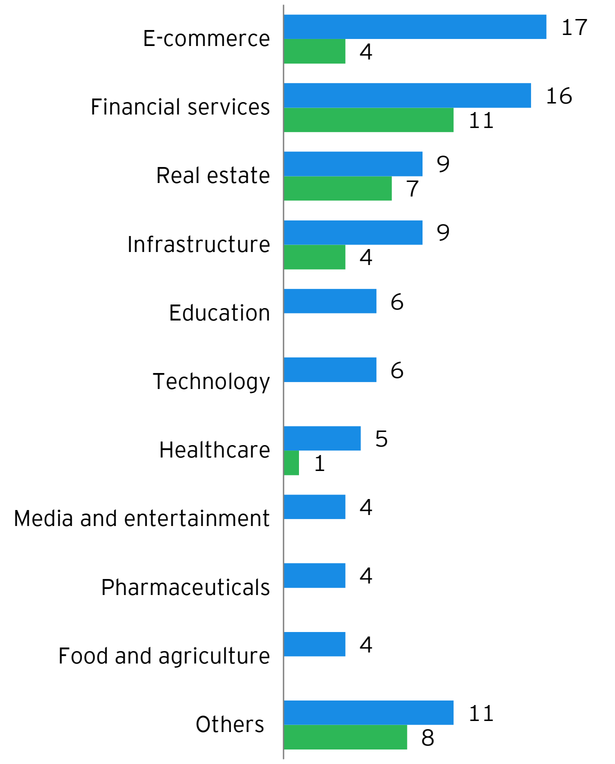


Exhibit 41: Top sectors by # of deals
2020(35) , 2021(91)



2020 2021

Source: EY analysis of VCCEdge data
Note: complete value of the deal is attributed to pension funds/SWFs when multiple investors are involved in a deal as generally pension funds/SWFs are the lead investors when they are involved in any deal

Exhibit 42: Deal type (US$m)
2020(US$11,074m) , 2021(US20,777m)

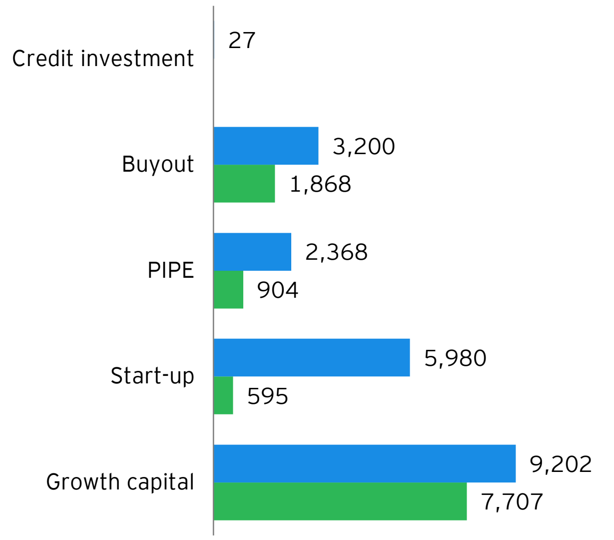
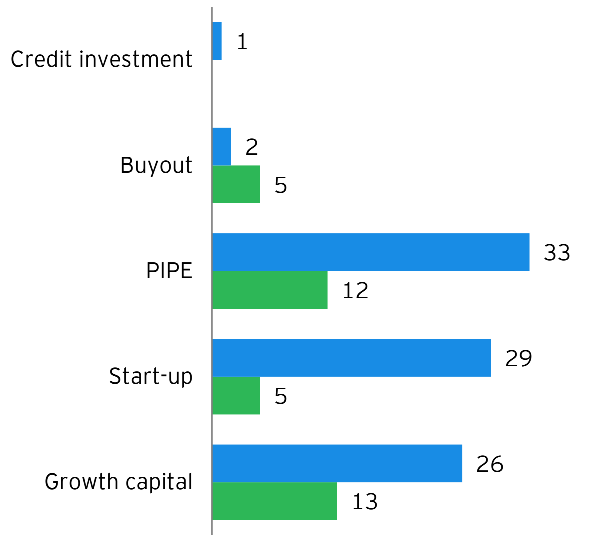


Exhibit 43: Deal type #
2020(35) , 2021(91)



2020 2021

Source: EY analysis of VCCEdge data
Note: complete value of the deal is attributed to pension funds/SWFs when multiple investors are involved in a deal as generally pension funds/SWFs are the lead investors when they are involved in any deal

Exhibit 44: Top investments involving pension funds and SWFs in 2021

Company/Asset	Investors	Sector	Stage	Amount (US$m)	Deal Stake %
Flipkart Private Limited	**GIC**, **QIA**, SoftBank, Tiger Global, Tencent, and others	E-commerce	Growth capital	3,600	10
Mphasis Limited	**GIC**, **ADIA**, and (BCP VIII and BCP Asia), UC Invest	Technology	Buyout	2,800	56
TML EVCo	**ADQ** and TPG Rise Climate	Automotive	Growth capital	1,000	11
Bundl Technologies Private Limited (Swiggy)	**GIC**, Falcon Edge Capital, Prosus Ventures, Accel India, Think Capital, and others	E-commerce	Start-up	800	16
IRB Infrastructure Developers Limited	**GIC** and Ferrovial S.A.	Infrastructure	PIPE	712	42
Eruditus Learning Solutions Pte. Limited	**CPPIB**, Accel India, SoftBank, Prosus Ventures, and Sequoia Capital	Education	Growth capital	650	20
NHAI InVIT	**CPPIB and Ontario Teachers' Pension Plan Board**	Infrastructure	Growth capital	537	50
ANI Technologies Private Limited (Ola)	**Temasek** and Warburg Pincus	E-commerce	Start-up	500	NA
Verse Innovation Private Limited (Dailyhunt)	**QIA**, Siguler Guff India Advisors, B Capital, Sofina SA, Carlyle, and others	Media and entertainment	Growth capital	450	NA
Sorting Hat Technologies Private Limited (Unacademy)	**Temasek**, Tiger Global, General Atlantic, SoftBank, and others	Education	Start-up	440	13
Zydus Animal Health and Investments Limited (Zydus AH)	**CPPIB** and Multiples	Pharmaceuticals	Buyout	400	100
Think and Learn Private Limited (BYJU's)	**ADQ**, UBS, Blackstone, and IIFL	Education	Growth capital	400	2
Razorpay Software Private Limited	**GIC**, Alkeon Capital Management, Sequoia Capital, Tiger Global, and others	Financial services	Start-up	375	5
API Holdings Private Limited (Pharmeasy)	**Temasek**, TPG Capital, and Naspers	E-commerce	Start-up	350	7

Source: EY analysis of VCCEdge data
Note: complete value of the deal is attributed to pension funds/SWFs when multiple investors are involved in a deal as generally pension funds/SWFs are the lead investors when they are involved in any deal

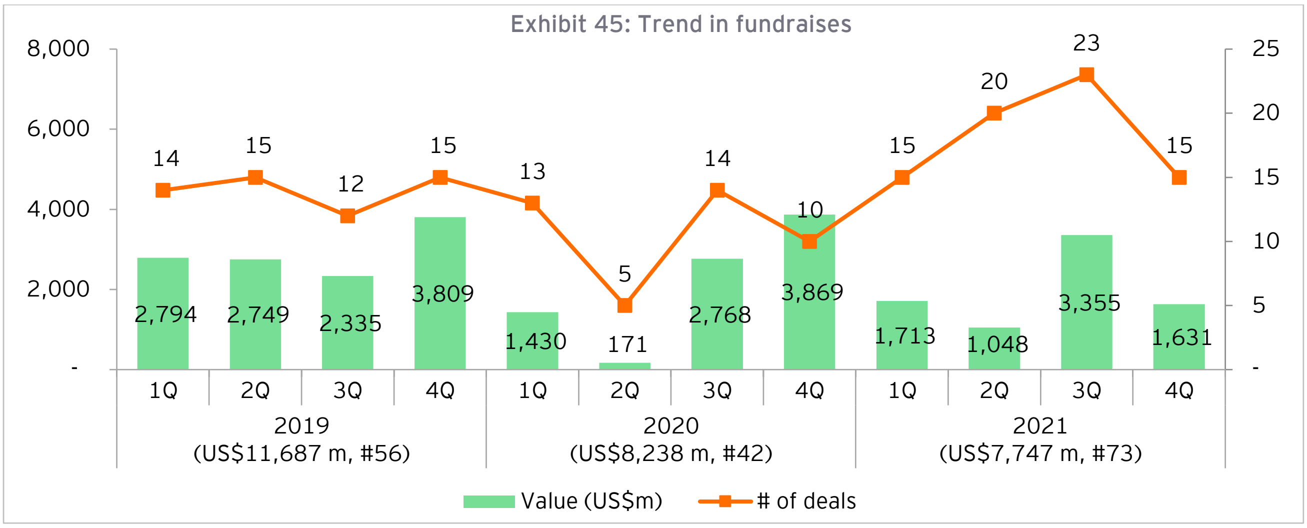
Though PE fundraising grew, overall fundraising slowed down due to absence of fundraises by infrastructure funds

The last five years witnessed US$44.6 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). 2021 recorded India dedicated fundraise of US$7.7 billion, a 6% decline y-o-y. This was despite a surge in global PE/VC fundraising to an all-time high of US$732.6 billion[12].

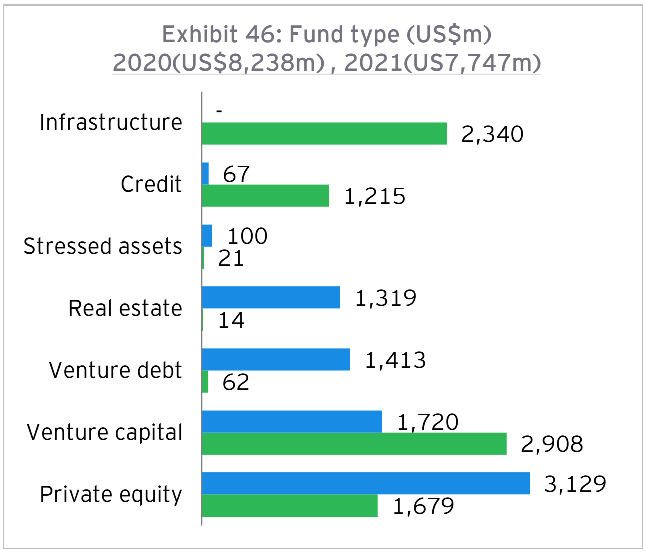
The PE asset class was the largest at US$3.1 billion and accounted for 40% of all the PE/VC fundraises in 2021 followed by VC funds at USS$1.7 billion (22%), venture debt at US$1.4 billion (18%) and real estate funds at US$1.3 billion (17%). There was no infrastructure dedicated fundraise in 2021 vs. US$2.3 billion raised last year.

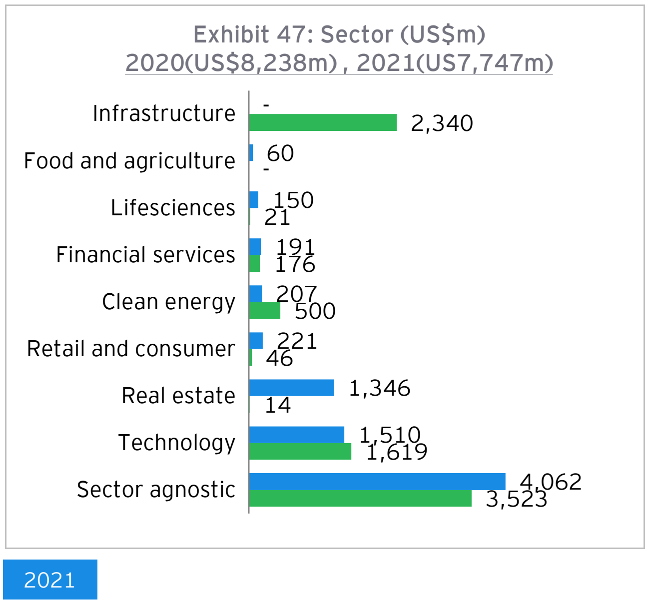
From a sectoral allocation perspective, more than 50% (US$4.1 billion) of the funds raised were for sector agnostic deployment followed by technology sector accounting for 19% (US$1.5 billion) and real estate accounting for 17% (US$1.3 billion). Clean energy has been an emerging theme which saw US$200 million in fundraise in 2021 vs. US$500 million last year.

Despite the slowdown in overall fundraising there were many first-time fundraises in 2021 which recorded US$1.8 billion in first-time fundraises by 28 funds compared to US$1.3 billion raised by 21 funds in 2020.



Source: EY analysis of VCCEdge data





Source: EY analysis of VCCEdge data

[12] https://www.privateequityinternational.com/fundraising-hit-a-new-full-year-record-in-2021/

Exhibit 48: Top fundraises in 2021

Fund	Amount raised (US$m)	Type	Strategy
A91 Partners' Fund-II	525	Private equity	Sector agnostic
EvolutionX Debt Capital	500	Venture debt	Sector agnostic
Godrej Fund Management (GBTC II)	500	Real estate	Premium office assets
Kotak Real Estate Fund XI	380	Real estate	Early and late-stage real estate projects
Chiratae Ventures Fund IV	337	Private equity	Technology
Godrej Fund Management - Office Platform	250	Real estate	Office buildings
Dream Capital	250	Private equity	Sports, gaming, and fitness-tech start-ups
Alteria Capital Venture Debt Fund 2	243	Venture debt	Sector agnostic
Stellaris Venture Partners Fund 2	225	Venture capital	Seed and series A rounds of internet start-ups
Jungle Ventures Fund IV	225	Private equity	Series B and follow-on rounds of start-ups

Source: EY analysis of VCCEdge data


Ethereum / U.S. Dollar
200.91

3 Analysis of sectoral performance - 2021

Analysis of sectoral performance - 2021

PE/VC investment activity in 2021 was dominated by three sectors that have accounted for almost 50% of the deal activity by value as well as volume. Technology, e-commerce, and financial services were the top three sectors each recording over US$10 billion in investments and more than 150 deals. In total, there were 14 sectors that received over US$1 billion in investments in 2021.

Despite the all-time high investments recorded in 2021, traditional favorites like real estate and infrastructure did not record significant growth in investments. Instead, 2021 saw investor interest peak in sectors like education and media and entertainment that recorded investments worth US$3.8 billion and US$4.9 billion respectively due to emergence of new-age business models like online education, media streaming and gaming/sports entertainment that witnessed strong consumer adoption during the pandemic.

Exhibit 49: Top sectors by value (US$m) - 2020(US$47,578m), 2021(US$77,140m)

Sectors	2020	2021
Technology	2,551	16,277
E-commerce	2,838	15,890
Financial services	5,360	11,688
Infrastructure	4,813	5,406
Real estate	5,656	5,317
Media and entertainment	730	4,947
Education	2,114	3,763
Pharmaceuticals	3,325	2,307
Healthcare	490	2,083
Retail and consumer products	6,659	1,959
Automotive	165	1,749
Telecommunications	9,915	1,420
Food and agriculture	424	1,276
Logistics and transportation	877	1,252
Industrial products	1,206	506
Business and professional services	236	421
Cement and building products	85	327
Oil and gas		300
Metals and mining	68	94
Aerospace and defense	13	83
Chemicals	53	74

Source: EY analysis of VCCEdge data

Exhibit 50: Top sectors by # of deals - 2020(923), 2021(1,270)

Sectors	2020	2021
Financial services	159	239
E-commerce	149	203
Technology	104	168
Food and agriculture	63	89
Education	74	88
Healthcare	50	85
Media and entertainment	61	76
Real estate	43	72
Retail and consumer products	50	63
Infrastructure	31	47
Logistics and transportation	35	33
Pharmaceuticals	38	31
Automotive	9	26
Industrial products	15	14
Business and professional services	17	12
Aerospace and defense	3	10
Chemicals	5	5
Telecommunications	11	3
Cement and building products	3	3
Metals and mining	3	2
Oil and gas		1

Source: EY analysis of VCCEdge data

The following section covers key highlights of some of the prominent sectors in 2021:

Technology sector investments soar on the back of multiple global tailwinds

In the previous decade, technology sector was the most preferred sector by PE/VC funds, and it continues to dominate PE/VC investments in 2021 with investment worth US$16.3 billion, 21% of all investments during the year. This is also the highest ever annual investment value not only in the technology sector but for any sector till date. Investments in the technology sector in 2021 have been more than the total investments received by the sector in the previous six years combined. This is in line with the global trend which saw 30% of the over US$1 trillion PE investments in 2021 allocated to technology companies.

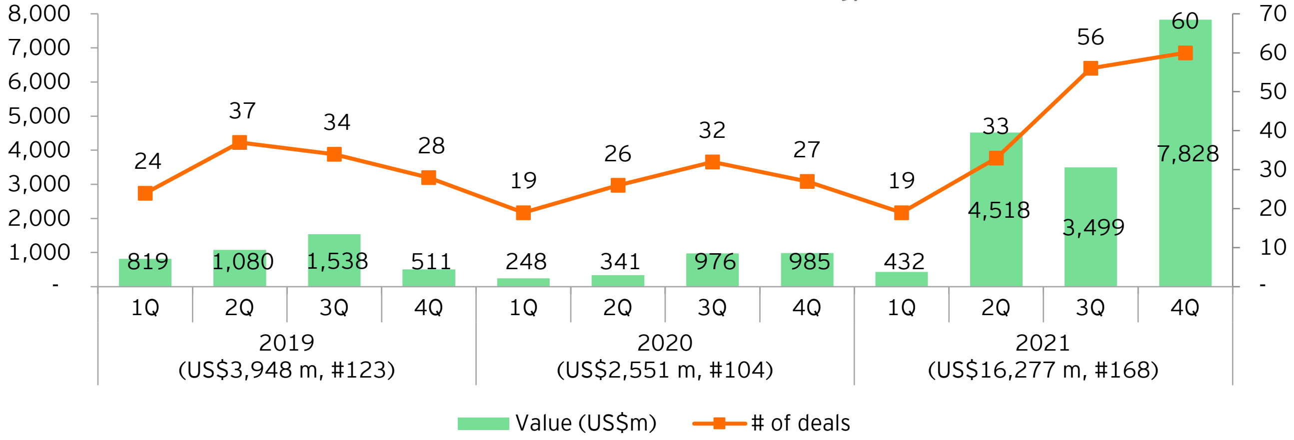
The technology sector has been one of the most resilient sectors during the pandemic. In fact, COVID-19 has accelerated the adoption of technology with corporates embarking on digitization roadmaps to prepare for the working environment of the future characterized by automation, remote working, high levels of efficiency, and analytics driven business intelligence.

One major factor that is attracting PE/VC investors to technology is the improvement in scalability and profitability metrics due to emergence of SaaS, cloud storage and accelerated adoption of digital among businesses. Technology is increasingly becoming more than just an enabler to businesses but is forming a part of their critical infrastructure.

IT services received the maximum PE/VC investments followed by ITES with US$7.9 billion and US$4.4 billion respectively. However, over the recent years SaaS has emerged as one of the leading sub-sectors within technology, which has recorded the highest number of PE/VC deals in 2021 (104 deals).

In terms of value, buyouts were the highest at US$12.5 billion on account of few large buyouts in the IT consulting and services space by large buyout funds. However, in terms of number of deals, start-up investments were the highest at 132 deals dominated by investments in SaaS based business models which accounted for 72% (95 deals) of all start-up deals in the technology sector.

Exhibit 51: Trend in investments in technology sector



Source: EY analysis of VCCEdge data

Exhibit 52: Top sub-sectors by value(US$m)
2020(US$2,551m), 2021(US$16,277m)

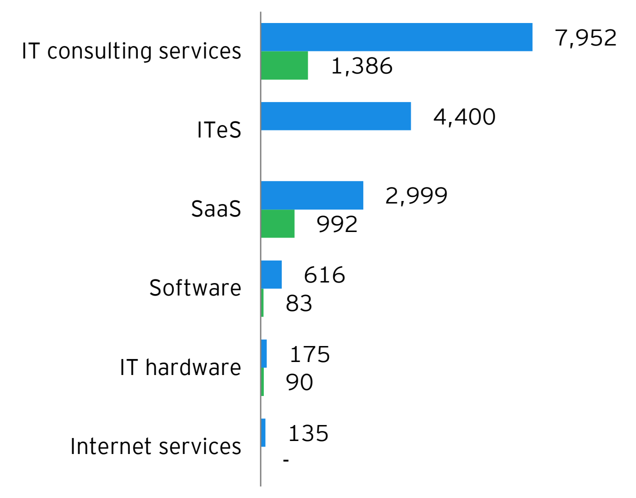
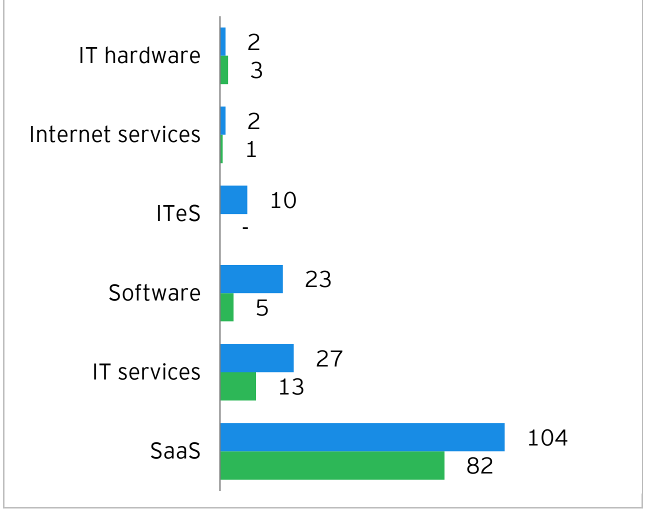


Exhibit 53: Top sub-sectors by # of deals
2020(104), 2021(168)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 54: Deal type (US$m)
2020(US$2,551m) , 2021(US$16,277m)

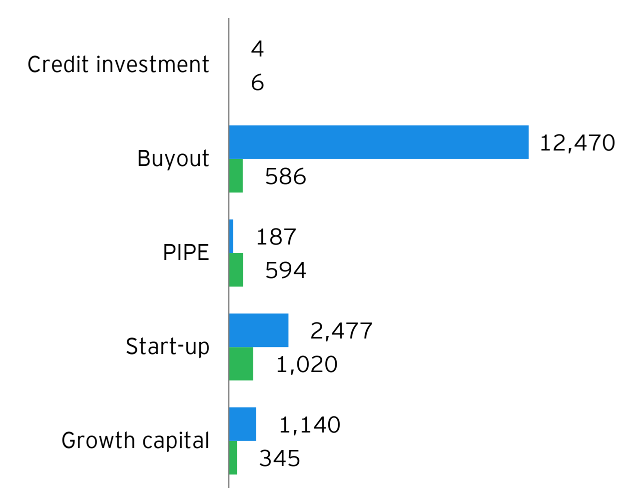
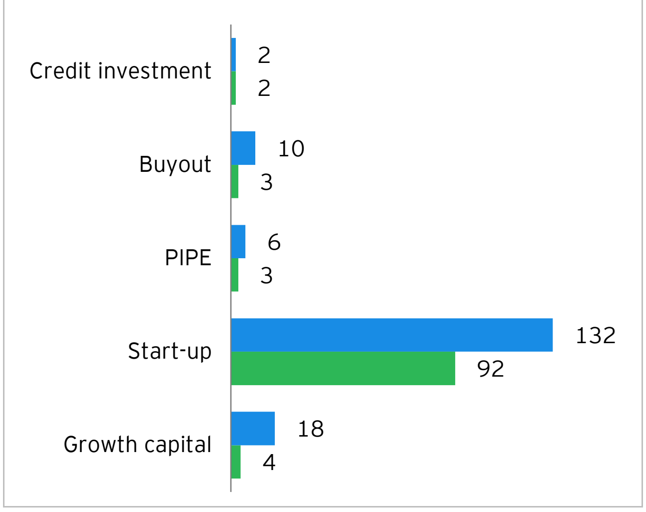


Exhibit 55: Deal type #
2020(104), 2021(168)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 56: Top technology sector investments in 2021

Company/Asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake %
Hexaware Technologies Limited	Carlyle	IT services	Buyout	3,000	100
Mphasis Limited	(BCP VIII and BCP Asia), ADIA, UC Invest, and GIC	IT services	Buyout	2,800	56
VFS Global Services Private Limited	Blackstone	ITES	Buyout	1,870	75
Encora	Advent	IT services	Buyout	1,500	80
Healthcare Services Business of, Hinduja Global Solutions Limited	Baring Private Equity Asia	ITES	Buyout	1,200	100
Straive	Baring Private Equity Asia	ITES	Buyout	900	100
Infogain Co.	Apax Partners	SaaS	Buyout	800	100
ResultsCX	ChrysCapital	ITES	Buyout	400	100
GupShup Technology India Private Limited	Think Investments, Tiger Global, White Oak Capital and others	SaaS	Growth capital	240	17
Postdot Technologies Private Limited	Nexus India Capital Advisors, Insight Venture, Coatue Management, and others	SaaS	Start-up	225	4
Browserstack Software Private Limited	Accel India, Bond Capital, Insight Venture, and Accel	SaaS	Start-up	200	5
Zenwork Labs India Private Limited	Spectrum Equity Management, L.P.	SaaS	Start-up	161	NA
QuEST Global Services Pte. Limited	ChrysCapital and True North	IT services	Growth capital	150	8
NetraDyne Inc.	SoftBank and others	SaaS	Start-up	150	15
Druva Inc.	Neuberger Berman, Viking Global Investors, Quebec Deposit and Investment Fund, and others	IT services	Growth capital	147	NA

Source: EY analysis of VCCEdge data

E-commerce sector expected to be the fastest growing sector in India

The e-commerce sector has become one of the predominant sectors for PE/VC investments in 2021 recording US$15.9 billion, accounting for 21% of the total PE/VC investments in 2021 and more than five times the investments received in 2020. PE/VC investments in e-commerce in 2021 are the highest ever for the sector. The share of e-commerce would be even higher if we were to include other tech enabled online platform businesses like OTT streaming, e-learning, fintech, Logitech, etc. that have been excluded for this analysis (part of the parent sector vertical).

After the onset of the pandemic, amidst the ensuing uncertainty, PE/VC investments in e-commerce declined to a trickle (US$32 million in May 2020) as funds became more risk averse and refrained from investing in e-commerce companies that traditionally had high cash burn rates. However, as the pandemic progressed, there was an accelerated adoption of e-commerce globally as well as in India driven by the ease of use and convenience it provided. The pandemic also accelerated the learning curve for technology adoption and online commerce among the less tech savvy and first-time users.

Established e-commerce businesses are seeing multiple rounds of investments, within a short span of time, at progressively higher valuations. As a result, many large established players have now amassed a significant war-chest to further accelerate growth both organically and inorganically. This is also driving consolidation in the sector.

The interest was high not only amongst private capital investors, but also public equity investors as witnessed in the strong response to recent IPOs of e-commerce platforms like Zomato, Policybazaar, Nykaa etc. Investor interest in e-commerce has been so great that past investors have re-entered positions with their erstwhile investees at higher valuations, after having fully exited from them in the past, as seen in the latest US$3.6 billion funding round in Flipkart by Softbank, Tiger Global and others.

In B2C (business-to-consumer) e-commerce, both the traditional horizontal formats like Flipkart, as well as specialized vertical formats like Pepperfry, Urban Ladder, Firstcry and hybrid B2B/B2C models like Mogilix have seen significant PE/VC investments. Further, the emergence of influencer and social media led marketing and brand building has led to the emergence of a new segment of B2C model called D2C (direct-to-consumer) driven by brands like MyGlamm, WoW Skin Science, Mamaearth, etc. that are witnessing significant investor interest.

The pandemic has also given a fillip to the demand for hyperlocal food and grocery delivery platforms like Swiggy, Zomato, Bigbasket, Blinkit etc., thus boosting their GMVs and valuations.

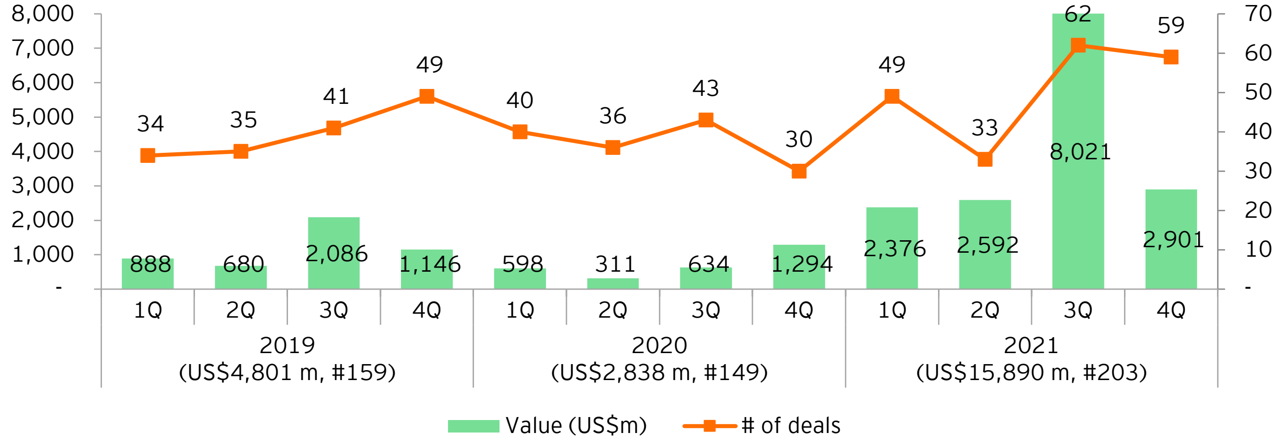
Another beneficiary of the pandemic has been healthcare delivery which has seen faster adoption of telemedicine as well as increased penetration by e-pharmacy platforms that have really raised their game by ensuring availability of SKU's, competitive pricing, and faster delivery to challenge the dominance of local pharmacies.

The pandemic has widened the chasm between the stronger players and the mid-tier ones, and has propelled the larger players into another orbit, who are now driving consolidation in each of their respective sub-segments.

A young demography, increasing internet and smartphone penetration, and relatively better economic performance are some key drivers of this sector.

The growth in e-commerce will also drive allied industries such as logistics, supply chain, agri-tech and omnichannel sales solutions, which have already received higher investments in 2021.

Exhibit 57: Trend in investments in e-commerce sector



Source: EY analysis of VCCEdge data

Exhibit 58: Top sub-sectors by value(US$m) 2020(US$2,838m) , 2021(US$15,890m)

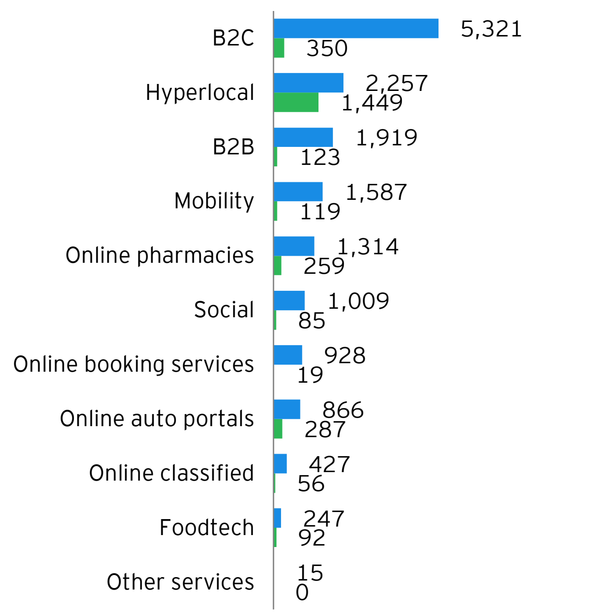
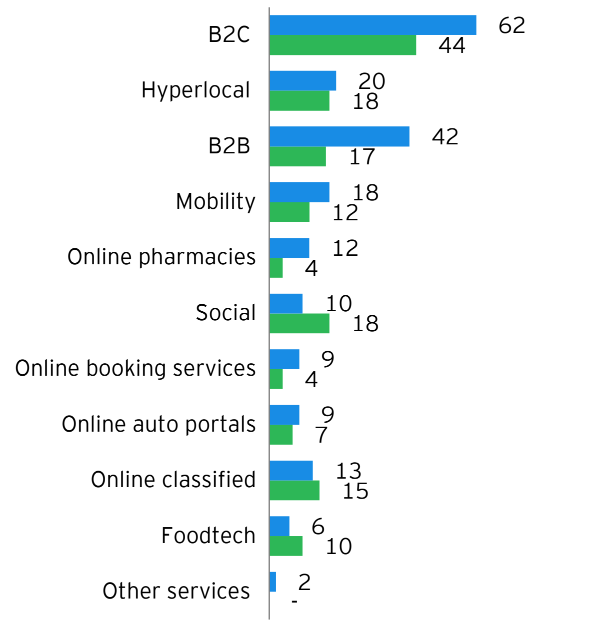


Exhibit 59: Top sub-sectors by # of deals 2020(149) , 2021(203)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 60: Deal type (US$m)
2020(US$2,838m) , 2021(US$15,890m)

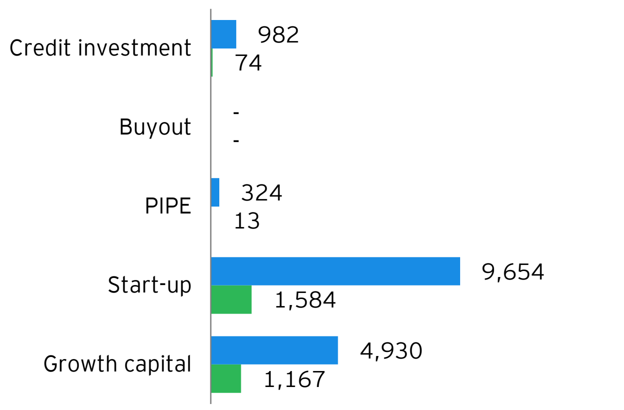
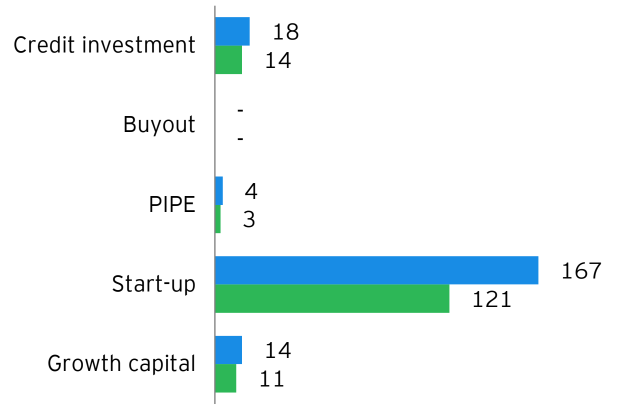


Exhibit 61: Deal type #
2020(149) , 2021(203)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 62: Top e-commerce sector investments in 2021

Company/Asset	Investors	Stage	Sub-sector	Amount (US$m)	Deal Stake %
Flipkart Private Limited	QIA, SoftBank, Tiger Global, Tencent, GIC, and others	B2C	Growth capital	3,600	10
Bundl Technologies Private Limited (Swiggy)	Falcon Edge Capital, Prosus Ventures, Accel India, Think Capital GIC, and others	Hyperlocal	Start-up	800	16
OYO Hotels and Homes Private Limited	Fidelity, Citadel Capital Management, and Varde Partners	Online booking services	Credit investment	660	NA
Meesho Inc.	Prosus Ventures, SoftBank, B Capital, and others	Social	Start-up	570	NA
ANI Technologies Private Limited (Ola)	Temasek, Warburg Pincus, and others	Mobility	Start-up	500	NA
Bundl Technologies Private Limited (Swiggy)	Softbank	Hyperlocal	Start-up	450	9
Cars24 Services Private Limited	DST Global, Moore Capital, SoftBank, Tencent, and others	Online auto portals	Start-up	450	24
API Holdings Private Limited (Pharmeasy)	Steadview Capital, Amansa Capital, ApaH Capital (Blackstone), Janus Henderson, OrbiMed, ADQ, and others	Online Pharmacies	Start-up	350	6
API Holdings Private Limited (Pharmeasy)	TPG Capital, Temasek, and Naspers	Online Pharmacies	Start-up	350	7
FSN E-Commerce Ventures Limited (Nykaa)	CPPIB, GIC, Blackrock, and Fidelity	B2C	PIPE	324	NA
Zomato Private Limited	YV Capital, D1 Capital, Steadview, and MVP Fund	Hyperlocal	Growth capital	319	NA
BrainBees Solutions Private Limited (FirstCry)	Chryscapital, TPG Growth V LP, and Premjiinvest	B2C	Growth capital	313	NA
Meesho Inc.	Prosus Ventures, Shunwei Capital Partners, Venture Highway LLP, SoftBank, and others	Social	Start-up	300	NA
API Holdings Private Limited (Pharmeasy)	TPG, Temasek, B Capital, Prosus, Think Investments, and Kotak PE	Online Pharmacies	Start-up	300	NA
Cars24 Services Private Limited	Alpha Wave Global	Online auto portals	Start-up	300	9

Source: EY analysis of VCCEdge data

Financial services sector continues to be among the preferred sectors for PE/VC investments but with a changing segment mix

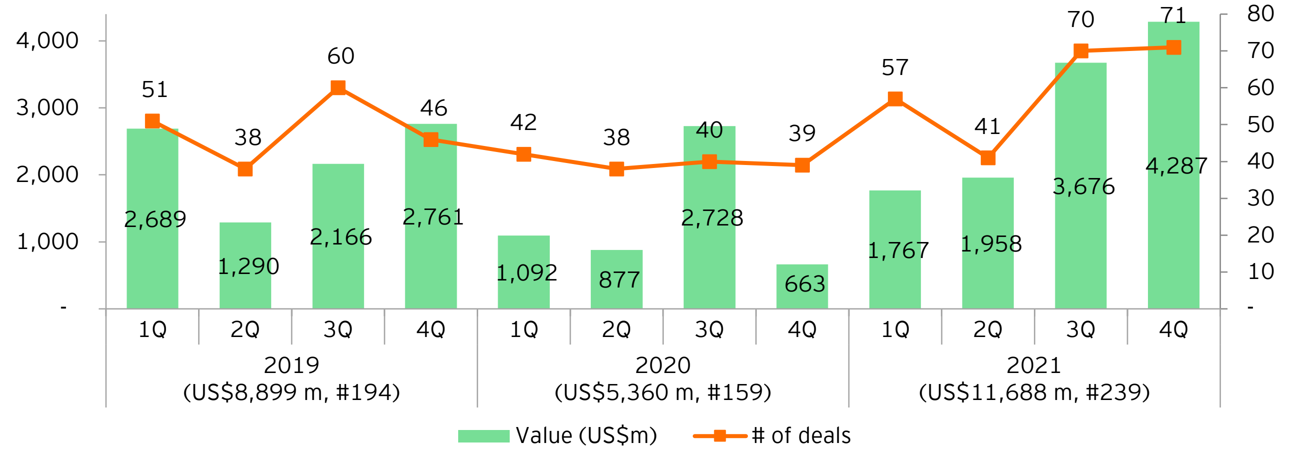
While financial services sector was the largest in terms of PE/VC investments over the previous decade, it has moved to the third spot in 2021 with investments worth US$11.7 billion but continues to maintain a strong growth momentum. PE/VC investments in 2021 were the highest ever for the sector with 118% increase y-o-y. Also, it continues to be the largest sector in terms of number of deals with 239 deals in 2021, which is also the highest ever for the sector. PE/VC investments in financial services sector had declined to US$5.4 billion in 2020, a 40% decline y-o-y due to the spike in uncertainty caused by the COVID-19 pandemic.

The financial services sector has been one of the most versatile sectors for alternative investments with direct links to the economy, providing a good proxy of the long-term India growth story for investors to play on. This sector provides investors varied options across business models ranging from pure play banks to specialized non-banking finance companies (NBFCs), small finance banks, online credit platforms, insurance companies, and payment solution companies. Further, with technology becoming a key component of the sector, many new tech enabled business models have emerged that are helping increase financial inclusion, increasing the addressable market for the financial services sector.

In the last decade, NBFC was the most preferred sub-sector for PE/VC investments, but off-late the balance has shifted heavily on the side of fintech. Fintech investments were at an all-time high of US$7.2 billion and account for 62% of the investments in the financial services sector in 2021 vs. 30% in the previous years. This trend is expected to get stronger as more and more PE/VC funds back financial services companies that leverage technology to do business, solving real world problems revolving around distribution, underwriting and collection of credit. Another sub-sector that is seeing some traction is asset/wealth management. With growing financialization of Indian household savings, increasing equity market participation, growing affluence among new age entrepreneurs, the wealth/asset management space is expected to grow significantly in the coming years and PE/VC funds are positioning themselves to capture a greater share of this growing pie.

As a result, the trend in financial services sector investments has shifted from providing growth capital for lending institutions to start-up funding of new-age tech enabled business models that are disrupting the traditional ways of providing financial services.

Exhibit 63: Trend in investments in financial services sector



Source: EY analysis of VCCEdge data

Exhibit 64: Top sub-sectors by value(US$m)
2020(US$5,360m) , 2021(US11,688m)

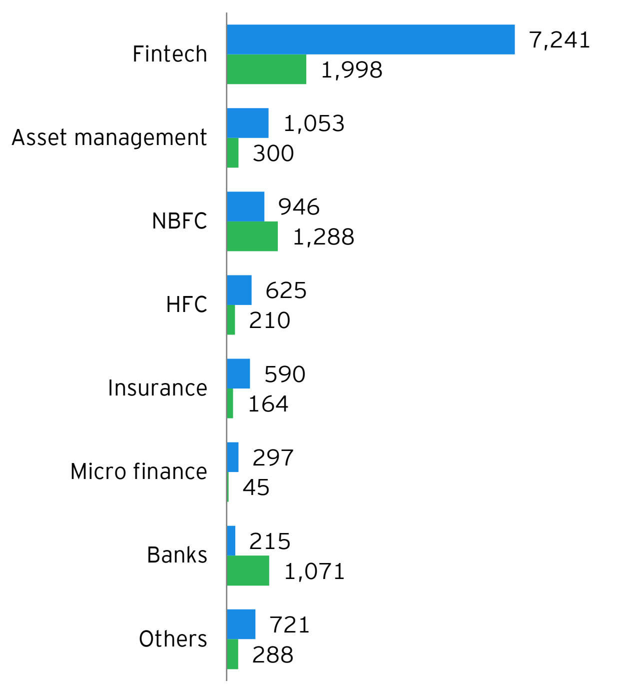
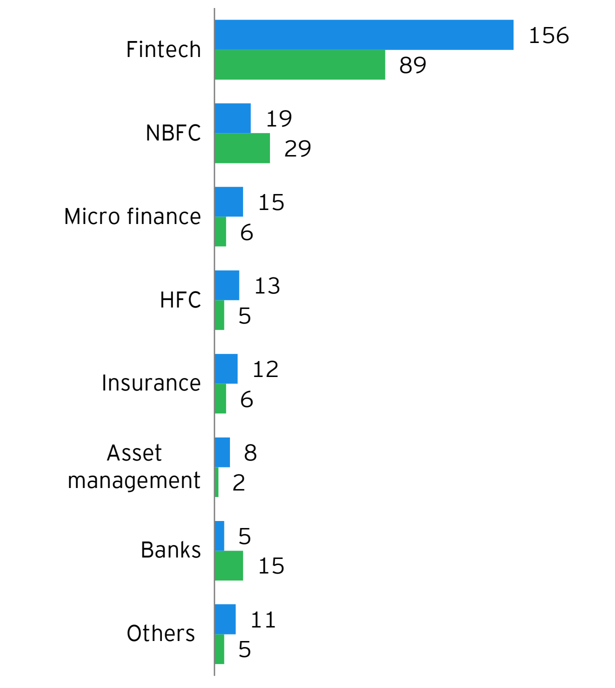


Exhibit 65: Top sub-sectors by # of deals
2020(159) , 2021(239)



2020 2021

Source: EY analysis of VCCEdge data
Note: Others includes exchanges, brokerages, advisory services etc.

Exhibit 66: Deal type (US$m)
2020(US$5,360m) , 2021(US11,688m)

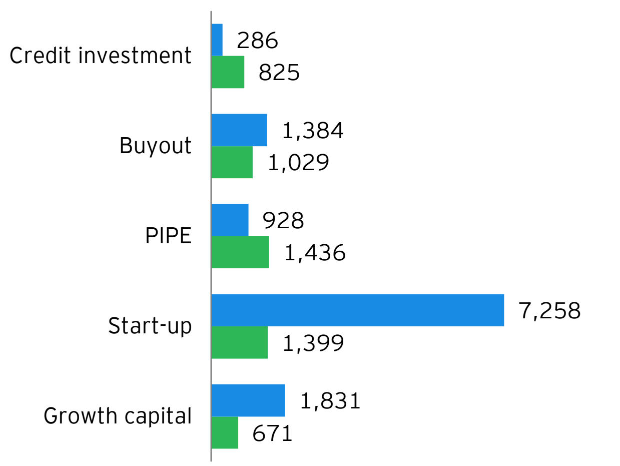
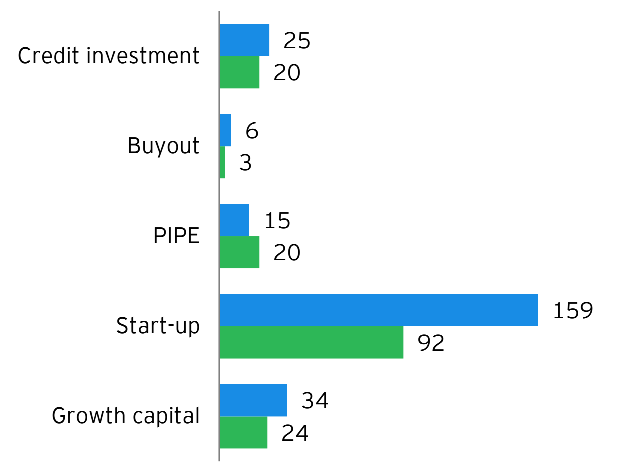


Exhibit 67: Deal type #
2020(159) , 2021(239)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 68: Top financial services sector investments in 2021

Company/Asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake %
ASK Group	Blackstone	Asset management	Buyout	1,000	74
Altico Capital India Limited	Ares Management	NBFC	Buyout	380	100
Razorpay Software Private Limited	Y Combinator, Alkeon Capital, Lone Pine Capital, GIC, Sequoia Capital, Tiger Global	Fintech	Start-up	375	5
Resilient Innovations Private Limited (BharatPe)	Ribbit Capital, Coatue Management, Insight Venture Management, Sequoia Capital, Dragoneer Investment, Tiger Global, and others	Fintech	Start-up	370	13
PhonePe Private Limited	Walmart, Tencent, and Tiger Global	Fintech	Start-up	350	NA
One 97 Communications Limited (Paytm)	BlackRock, CPPIB, and GIC	Fintech	PIPE	338	2
OFB Tech Private Limited	Matrix Partners, Zodius Technology Fund II, Norwest Venture Partners, SoftBank, Tiger Global, and others	Fintech	Start-up	325	7
Pine Labs Private Limited	Moore Capital Management, Lone Pine Capital, Temasek, and others	Fintech	Growth capital	285	1
Bitcipher Labs LLP (Coinswitch Kuber)	Coinbase Ventures, Tiger Global, Sequoia Capital, and Paradigm	Fintech	Start-up	260	26
Acko Technology and Services Private Limited	Munich Re Ventures, General Atlantic, Multiples PE, CPPIB, and Lightspeed Venture Partners	Fintech	Start-up	255	23
NextBillion Technology Private Limited (Groww)	Steadfast Capital, Lone Pine Capital, Alkeon Capital Management, Sequoia Capital, Tiger Global, and others	Fintech	Start-up	251	8
Dreamplug Technologies Private Limited (CRED)	Coatue Management, DST Global, Falcon Edge, Insight Venture, Sofina SA, Tiger Global, and others	Fintech	Start-up	251	6
Better World Technology Private Limited (Zeta)	Softbank and others	Fintech	Start-up	250	17
Five Star Business Finance Limited	KKR Global Impact Fund, Sequoia Capital, Norwest Venture Partners, and TVS Capital	NBFC	Growth capital	234	NA
GaragePreneurs Internet Private Limited (Slice)	Blume Ventures, Insight Venture Management, Tiger Global, Moore Capital Management, and others	Fintech	Start-up	220	22

Source: EY analysis of VCCEdge data

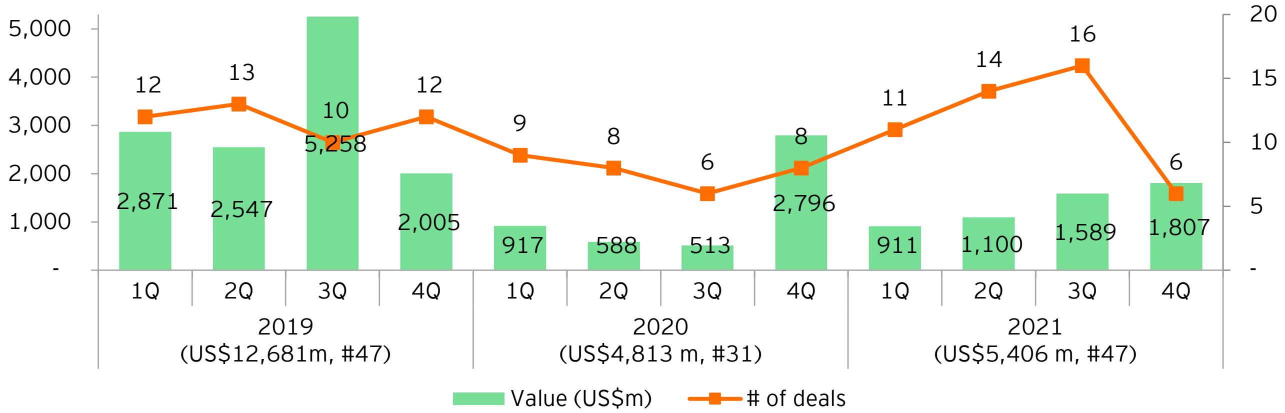
Share of infrastructure sector in PE/VC investments declines in 2021

In the previous decade, infrastructure sector was the second largest sector behind financial services for PE/VC investments with US$34.9 billion invested across 292 deals. A major surge in PE/VC investments in the sector came in the last three years. However, with easing liquidity and falling yields globally post the pandemic, the focus of PE/VC players shifted to growth-oriented e-commerce and tech-oriented businesses. As a result, infrastructure investments in 2021 dropped to the fifth place with US$5.4 billion recorded across 47 deals, a modest 12% increase over 2020 (US$4.8 billion across 31 deals).

However, the infrastructure sector continues to see large deals with five US$500 million+ deals compared to 15 such deals in the last decade. In 2021, more than half the deals in the infrastructure sector were in the power sub-sector aggregating to US$3.1 billion and predominantly in the renewables space (US$2.7 billion) and accounting for 58% of all infrastructure investments (25%, US$1.2 billion in 2020) followed by roads and highways that have accounted for 25% of all infrastructure deals by value aggregating to US$955 million (36%, US$1.7 billion in 2020).

Nonetheless with increasing direct investments by pension funds and SWFs, emergence of new investment vehicles like InvITs, favourable policies from the Government, and a substantial asset monetization pipeline of large infrastructure assets by the Government as well as corporates, the infrastructure asset class is expected to remain one of the priority areas for PE/VC funds to deploy capital.

Exhibit 69: Trend in investments in infrastructure sector



Source: EY analysis of VCCEdge data

Exhibit 70: Top sub-sectors by value(US$m) 2020(US$4,813m) , 2021(US5,406m)

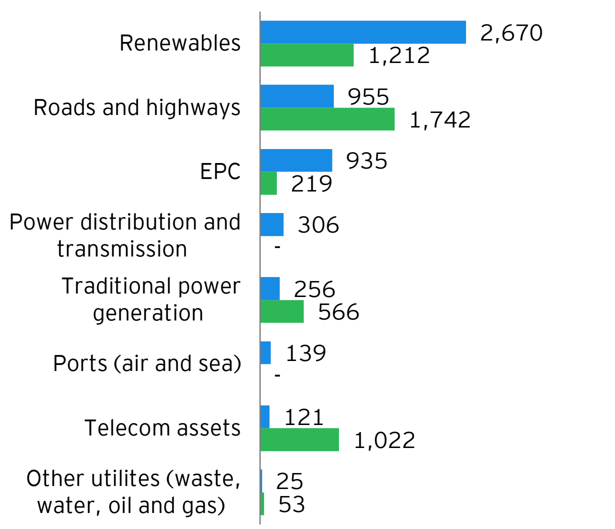
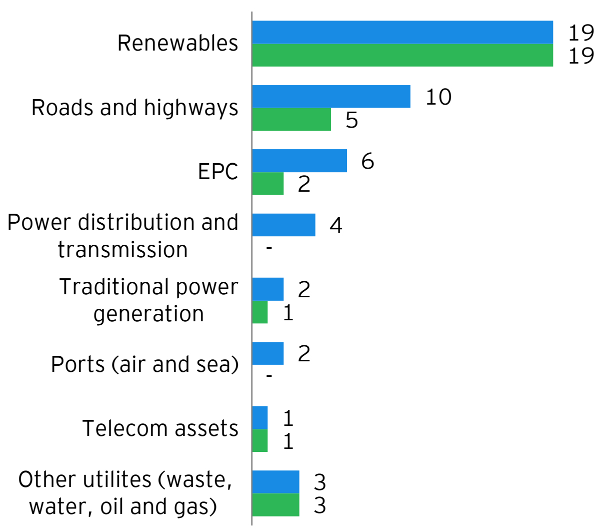


Exhibit 71: Top sub-sectors by # of deals 2020(31) , 2021(47)



Source: EY analysis of VCCEdge data
Note: Others includes exchanges, brokerages, advisory services etc.

Exhibit 72: Deal type (US$m)
2020(US$4,813m) , 2021(US5,406m)

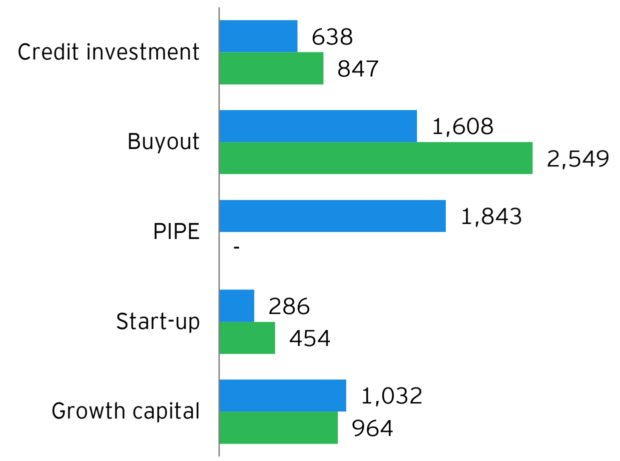
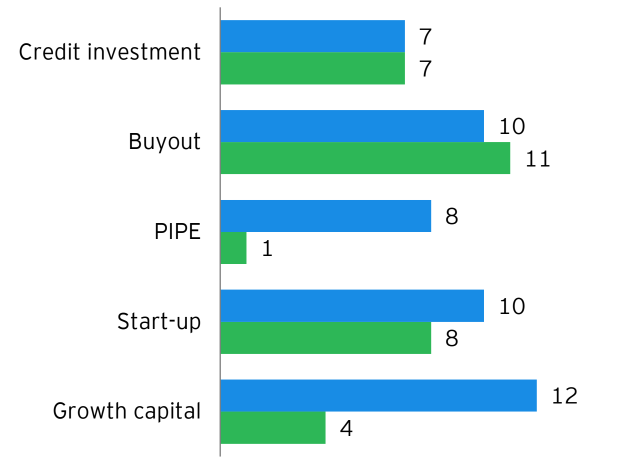


Exhibit 73: Deal type #
2020(31) , 2021(47)



Source: EY analysis of VCCEdge data

Exhibit 74: Top infrastructure sector investments in 2021

Company/Asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake %
IRB Infrastructure Developers Limited	GIC, Ferrovial S.A.	EPC	PIPE	712	42
ReNew Power	BlackRock, BNP Paribas Energy Transition Fund, Sylebra Capital, and others	Renewables	PIPE	610	NA
Engie SA-Indian Solar Energy Assets	Edelweiss Alternative Asset Advisors, and others	Renewables	Buyout	550	75
NHAI InvIT	CPPIB, Ontario Teachers' Pension Plan Board	Roads and highways	Growth capital	537	50
First Solar, TN Plant	US International Development Finance Corporation (DFC)	Renewables	Credit investment	500	NA
2 Solar Projects of Fortum India	Actis	Renewables	Buyout	332	100
Clean Max Enviro Energy Solutions Private Limited	Augment Infrastructure Partners	Traditional power generation	Buyout	222	NA
Azure Power Global Limited	OMERS Infrastructure Management	Renewables	PIPE	219	19
Sterlite Power Transmission Limited, 5 Energy Transmission Projects	AMP Capital Investors Limited	Power transmission and distribution	Buyout	150	50
IndInfravit Trust	CPPIB	Roads and highways	Growth capital	135	16
Fourth Partner Energy Private Limited	The Norwegian Investment Fund for Developing Countries, The Rise Fund	EPC	Growth capital	125	NA
Space Teleinfra. Private Limited	Brookfield's Tower InvIT	Telecom assets	Buyout	121	100
Adani Ports and Special Economic Zone Limited	Warburg Pincus	Ports	PIPE	109	NA
PowerGrid InvIT	CPPIB	Power transmission and distribution	PIPE	108	NA

Source: EY analysis of VCCEdge data

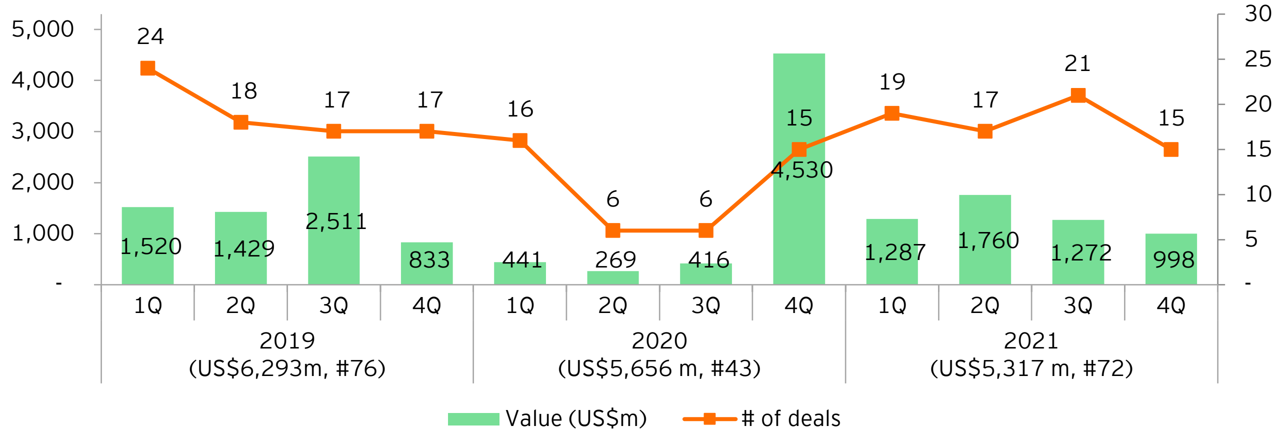
Real estate sector records a decline in PE/VC investments due to absence of large deals in the commercial real estate segment

Real estate sector has seen steady PE/VC investments over the past five years averaging around US$5 billion. In 2021, real estate sector recorded US$5.3 billion across 72 deals, 6% lower compared to 2020 (US$5.7 billion across 43 deals).

PE/VC investments in real estate sector were dominated by investments in commercial real estate which accounted for 40% of all investments in the sector aggregating US$2.1 billion. However, investments in the commercial real estate segment recorded a 46% y-o-y decline in the absence of large deals.

Despite the pull-back in 2020 and 2021 on account of the COVID-19 induced economic slowdown, the real estate sector is expected to be one of the major drivers of PE/VC investments into India. With the implementation of GST, proliferation of e-commerce and social media, adoption of cloud and AI technology, government initiatives like the PLI scheme and push for housing for all, and change in consumer lifestyles, the next wave of PE/VC real estate investments is expected to be attracted by the growth in warehousing, industrial parks, affordable housing, student housing and data centers apart from the commercial office segment which is expected to continue witnessing steady growth.

Exhibit 75: Trend in investments in real estate sector



Source: EY analysis of VCCEdge data

Exhibit 76: Top sub-sectors by value(US$m) 2020(US$5,656m) , 2021(US$5,317m)

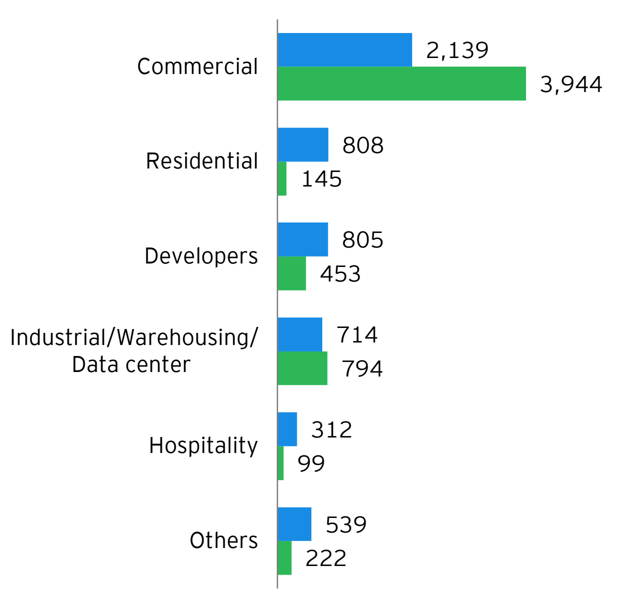
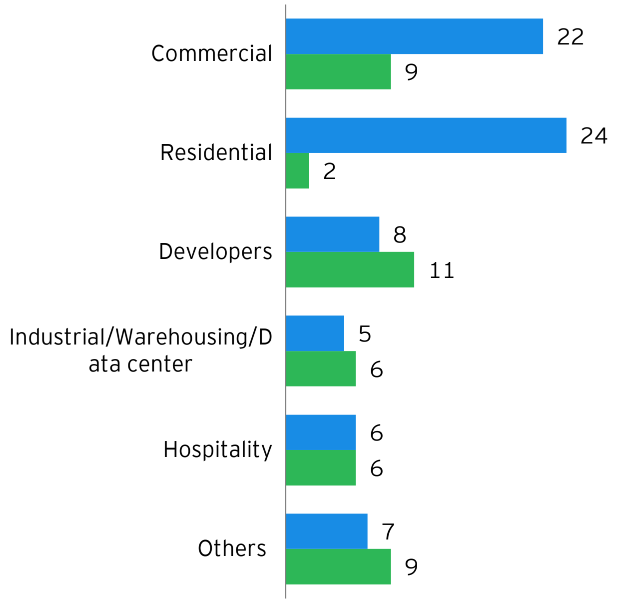
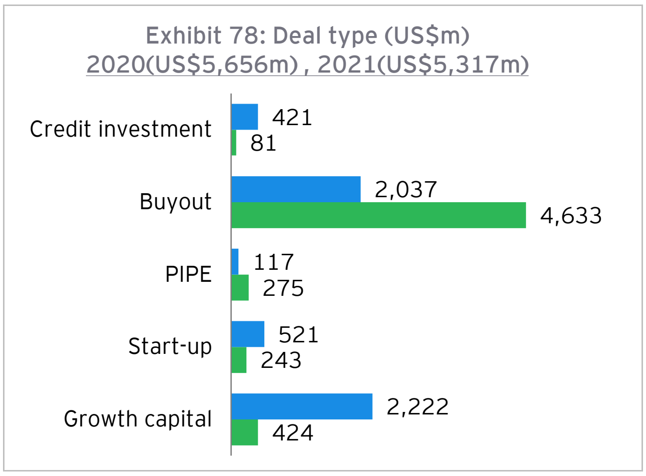


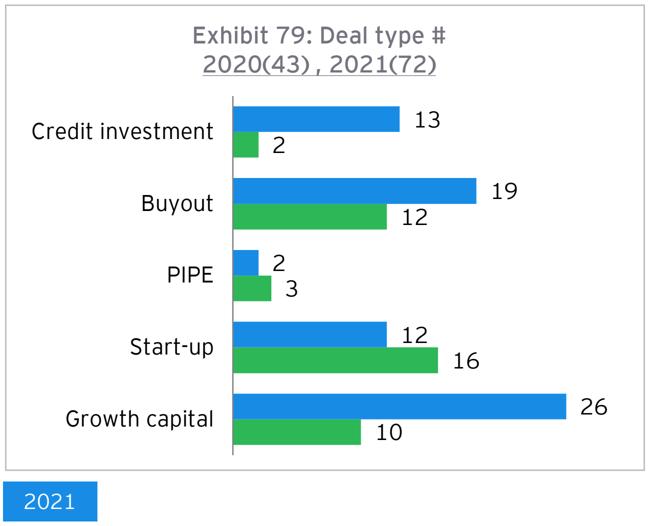
Exhibit 77: Top sub-sectors by # of deals 2020(43) , 2021(72)



2020 2021

Source: EY analysis of VCCEdge data
Note: Others includes ancillary services, online brokerages, advisory services etc.





Source: EY analysis of VCCEdge data

Exhibit 80: Top real estate sector investments in 2021

Company/Asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake %
Embassy Industrial Parks Private Limited	Blackstone Real Estate Partners	Commercial	Buyout	715	100
EverYondr (Data Center Project in Mumbai)	Everstone and Yondr Group	Data center	Buyout	500	50
RMZ Corp, construction projects JV	CPPIB	Developer	Growth capital	340	NA
Ground Holding Realty (JV with The Guardians Real Estate)	Kotak Realty Fund	Others real estate services	Growth capital	272	50
NoBroker Technologies Solutions Private Limited	General Atlantic, Tiger Global, and Moore Capital Management	Others real estate services	Start-up	210	21
Phoenix Mills Limited, Investment Platform	GIC	Commercial	Growth capital	208	36
Gardencity Realty, 1.65 M sq ft at Bengaluru IT park	Ascendas Property Fund	Commercial	Buyout	197	100
Plutocrat Commercial Real Estate Private Limited	CPPIB	Commercial	Growth capital	182	49
Phoenix Tech Zone Private Limited	Varde Partners	Developer	Credit investment	156	NA
Phoenix's IT-SEZ,1.1 M sq ft	GIC	Commercial	Growth capital	143	NA
INDIS, Five Residential Projects in South India	Brookfield Asset Management	Residential	Growth capital	135	NA
Joint venture with KSH Infra	Indospace (joint venture between the Everstone Group, GLP and Realterm)	Warehousing	Growth capital	134	50
Godrej Properties Limited	GIC	Developer	PIPE	110	2
Dtwelve Spaces Private Limited	Falcon Edge, Alpha Wave, Matrix Partners, and Sequoia Capital	Student housing	Start-up	102	NA
Kalpataru's 2 Mumbai realty projects	PAG	Residential	Credit investment	100	NA

Source: EY analysis of VCCEdge data

Life sciences sector has seen a renewed interest

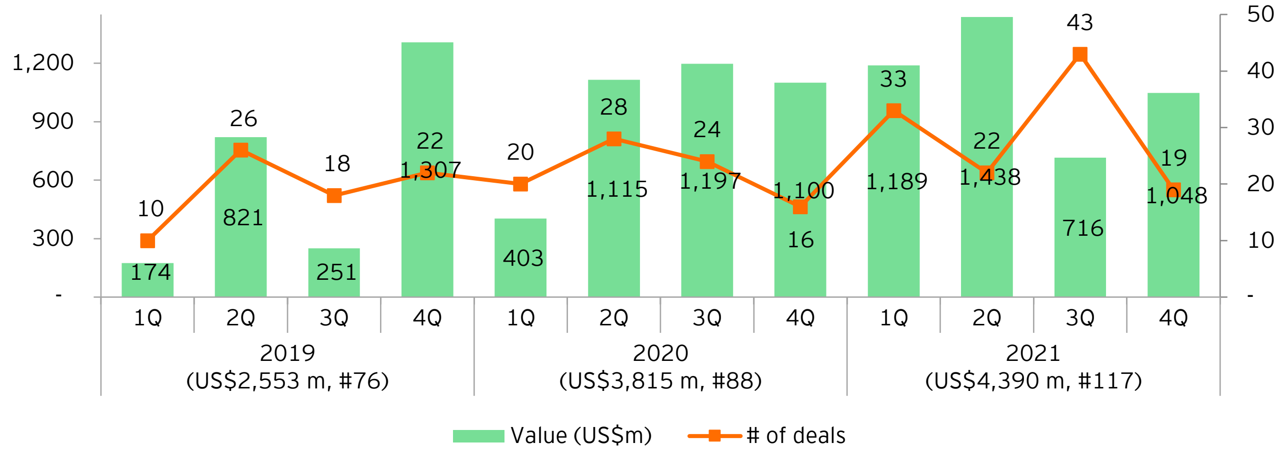
Post the pandemic, there has been a renewed interest in the life sciences sector with supportive global tailwinds. PE/VC investments in the life sciences sector in 2021 grew 15% y-o-y to US$4.4 billion after recording a 49% growth in 2020. While PE/VC investments in life sciences sector in 2020 was dominated by pharmaceuticals (87% share), it's share has declined in 2021 to 51%.

The healthcare sector has seen significant investments into the healthtech space that account for 51% of all investments in 2021 and consequently start-up investments were highest in the healthcare sector. This was followed by investments in multi-specialty hospital, both standalone and chains.

The pharmaceuticals sector saw maximum investments in the formulations business (64% of total investments) followed by CDMO/CRO businesses and unlike healthcare, the pharmaceuticals sector had growth and buyouts garner major chunk of the investments.

The supply shocks due to COVID-19 have caused many large pharma companies to rethink their global supply chains and diversify sourcing, and India can be a major beneficiary of this trend. Also, with increasing impetus from the Government through schemes such as PLI we expect the life sciences sector to be one of the top sectors for PE/VC investments in the coming years.

Exhibit 81: Trend in investments in life sciences sector



Source: EY analysis of VCCEdge data

Exhibit 82: Deal type (US$m)
2020(US$3,815m) , 2021(US$4,390m)

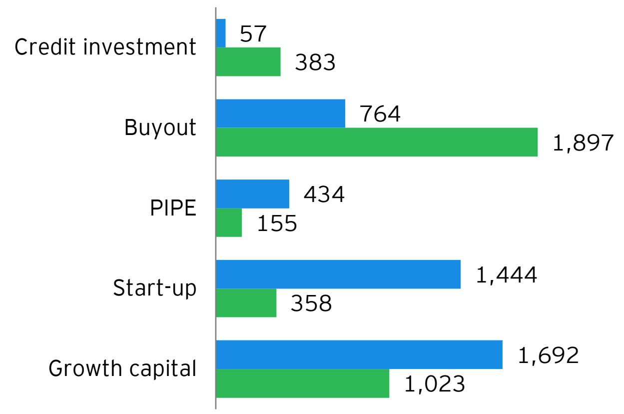
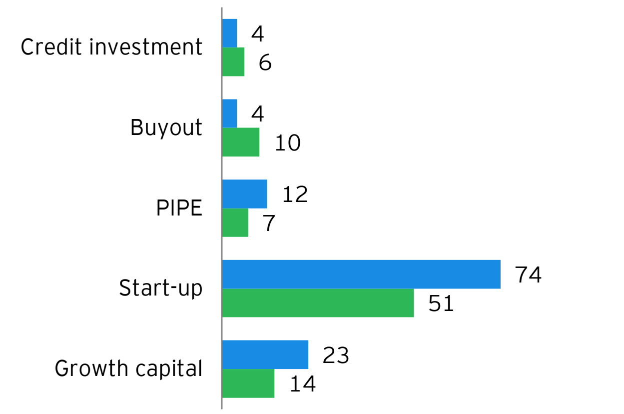


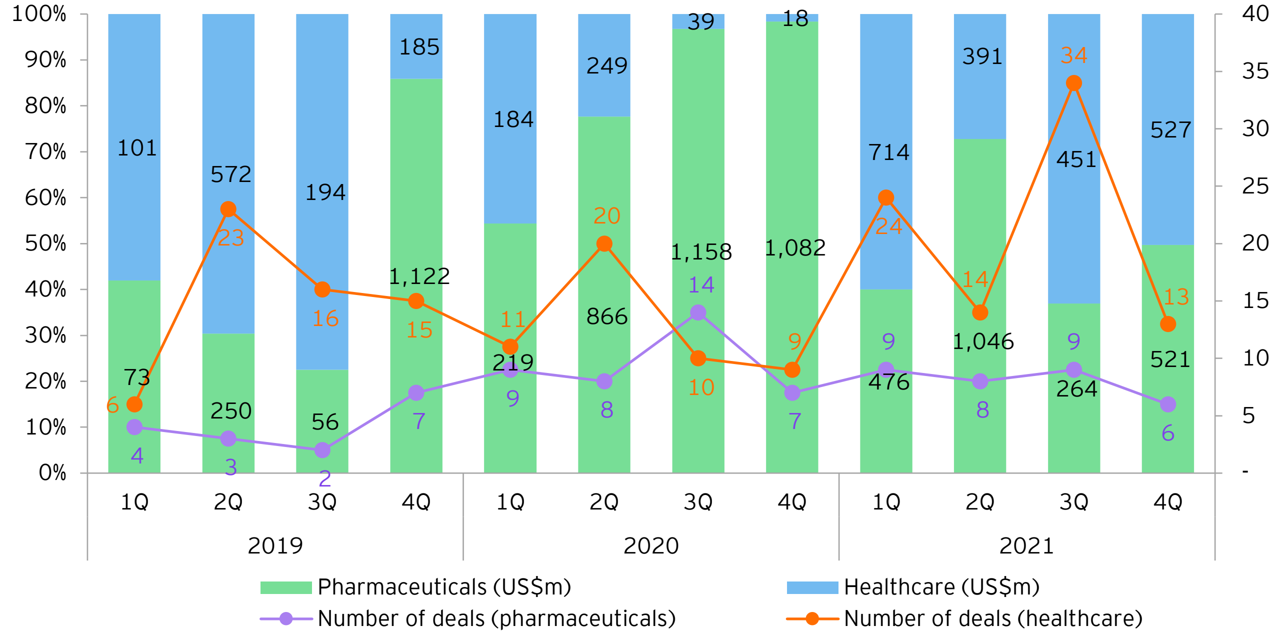
Exhibit 83: Deal type #
2020(88) , 2021(US$117)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 84: PE/VC investments in life sciences sector split between pharmaceuticals and healthcare



Source: EY analysis of VCCEdge data

Exhibit 85: Top sub-sectors in pharmaceuticals by value (US$m)
2020(US$3,325m) , 2021(US$2,307m)

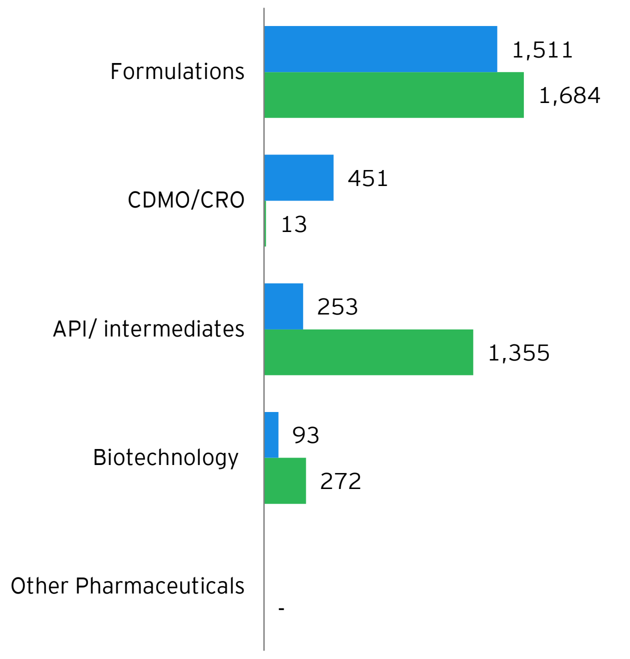
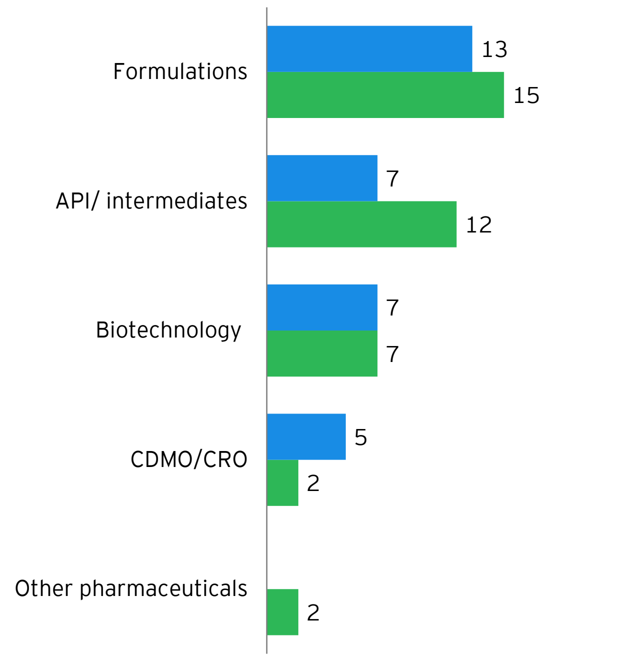


Exhibit 86: Top sub-sectors in pharmaceuticals by # of deals
2020(38) , 2021(32)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 87: Top sub-sectors in healtcare by value (US$m) 2020(US$490m) , 2021(US$2,083m)

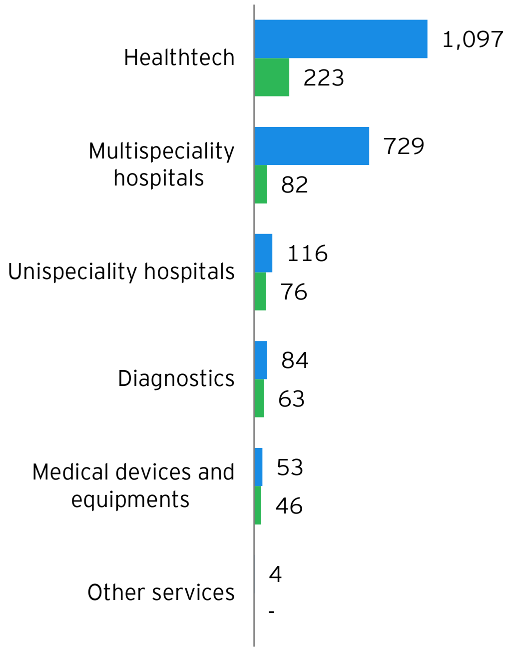
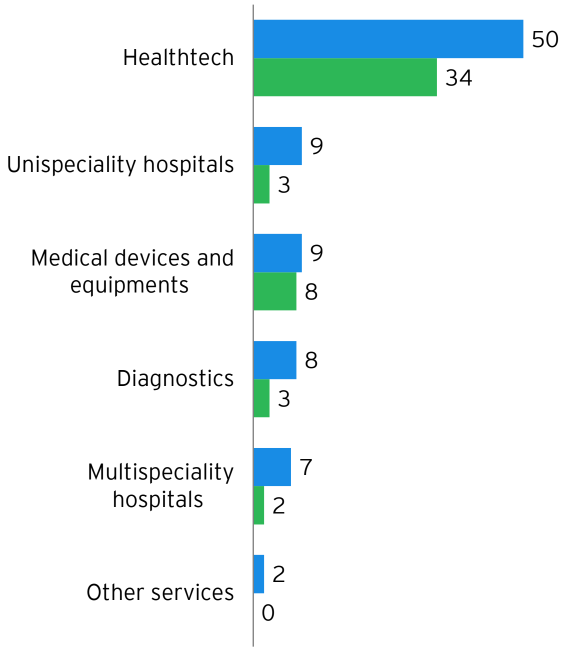


Exhibit 88: Top sub-sectors in healtcare by # of deals 2020(50) , 2021(85)



Source: EY analysis of VCCEdge data

Exhibit 89: Top pharmaceuticals sector investments in 2021

Company/Asset	Investors	Sector	Stage	Amount (US$m)	Deal Stake %
Zydus Animal Health and Investments Limited (Zydus AH)	Multiples, CPPIB	Formulations	Buyout	400	100
Aragen Life Sciences Private Limited	Goldman Sachs (Principal Investments)	CDMO/CRO	Growth capital	333	33
Viyash Life Sciences Private Limited (integrated generic pharmaceutical platform)	Carlyle	Formulations	Start-up	300	NA
Stelis Biopharma Private Limited	GMS Holdings Limited, Think Investments, and others	Formulations	Growth capital	195	NA
Acme Formulation Private Limited	PAG Asia	Formulations	Buyout	145	NA
Encube Ethicals Private Limited	Gulf Islamic Investments and Quadria	Formulations	Growth capital	120	NA
ZCL Chemicals Limited	Advent International	API/ intermediates	Buyout	117	51
Navitas Inc.	H.I.G. Capital	CDMO/CRO	Buyout	102	75
Corona Remedies Private Limited	ChrysCapital	Formulations	Growth capital	95	27
Biocon Biologics Limited	ADQ Investment Management	Biotechnology	Growth capital	76	2

Source: EY analysis of VCCEdge data

Exhibit 90: Top healthcare sector investments in 2021

Company/Asset	Investors	Sector	Stage	Amount (US$m)	Deal Stake %
Manipal Healthcare Private Limited	NIIF Strategic Opportunities Fund	Multi-speciality hospitals	Growth capital	286	NA
Apollo Hospitals Enterprise Limited	Sands Capital Management	Multi-speciality hospitals	PIPE	224	4
Indegene Private Limited	Carlyle and Brighton Park Capital Management	Healthtech	Growth capital	200	NA
CureFit Healthcare Private Limited	Accel, Temasek, and others	Healthtech	Start-up	145	10
Twin Health	Sequoia Capital, Iconiq Capital, Sofina SA, and others	Healthtech	Start-up	140	NA
Innovaccer Inc.	Microsoft's Venture Fund, Dragoneer Investment, Tiger Global, Mubadala, Steadview Capital, and others	Healthtech	Start-up	105	NA
GHV Advanced Care Private Limited	Sequoia Capital, Tiger Global, Epiq Capital, Sequoia Capital, Trifecta Capital, and others	Multi-speciality hospitals	Start-up	96	7
Boston Ivy Healthcare Solutions Private Limited	Creagis, Healthquad Fund, Rebright Partners, CDC Group, and others	Healthtech	Start-up	75	NA
HealthifyMe Wellness Products and Services Private Limited	Leapfrog Investments, Chiratae Ventures, Inventus Capital Partners, and others	Healthtech	Start-up	75	NA

Source: EY analysis of VCCEdge data

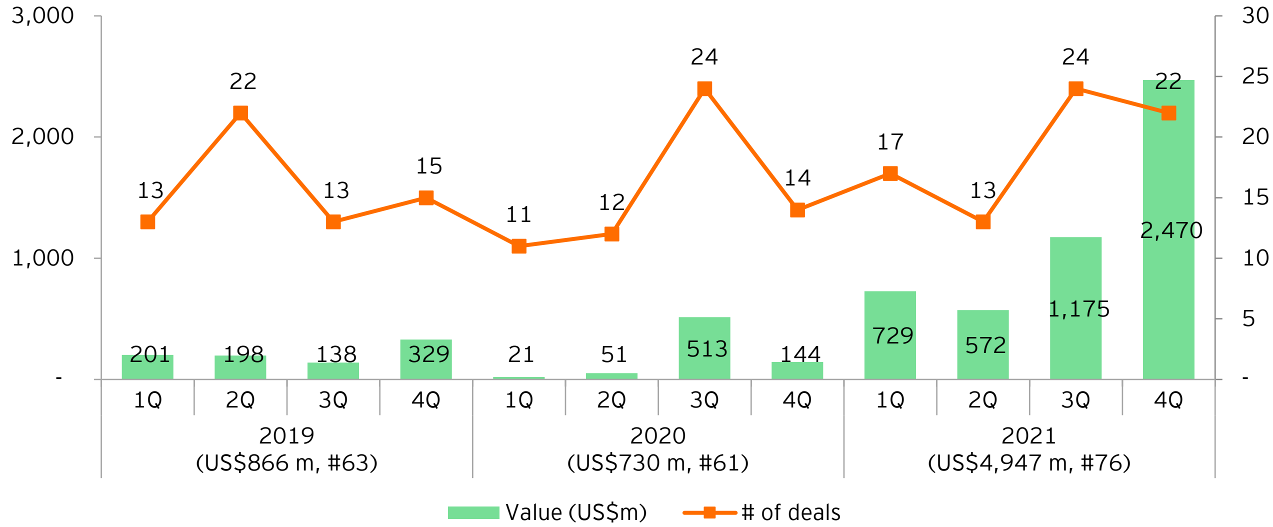
Media and entertainment sector sees unprecedented interest from PE/VC investors

With reduction in social interactions during covid restrictions there was increased activity in online media platforms and entertainment platforms. Customer engagement increased on platforms like short video apps, gaming platforms, sporting entertainment, streaming media etc. As a result, media and entertainment sector recorded a flourish of PE/VC investments in 2021 of US$4.9 billion which is almost equal to the total investments received by the sector in the previous 10 years.

2021 saw some unique deals like CVC's purchase of the IPL franchise for Ahmedabad at a total value of US$749 million, over US$1.2 billion invested in Fantasy sports platform Dream11 in two funding rounds by a group of PE/VC investors and over US$900 million invested in short content (video, music, pictures etc) sharing social networking platform Sharechat in multiple rounds.

As media consumption become more personalized and moves to handheld/personal devices, this trend is expected to further accelerate and see the emergence of new platforms with varied aggregation, content, customer segmentation, and monetization models.

Exhibit 91: Trend in investments in media and entertainment sector



Source: EY analysis of VCCEdge data

Exhibit 92: Deal type (US$m)
2020(US$730m) , 2021(US$4,947m)

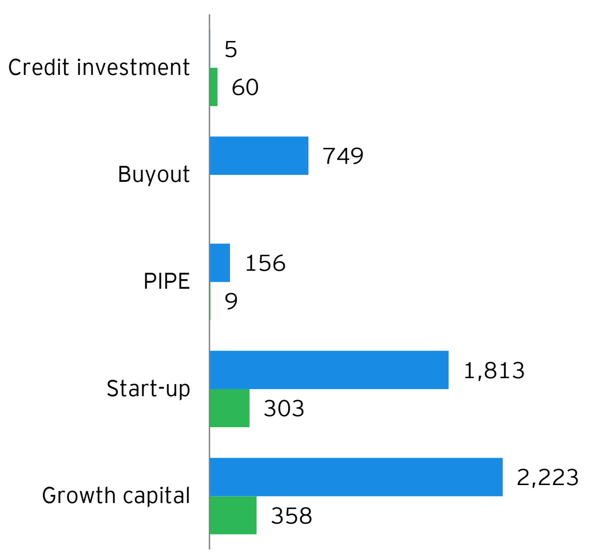
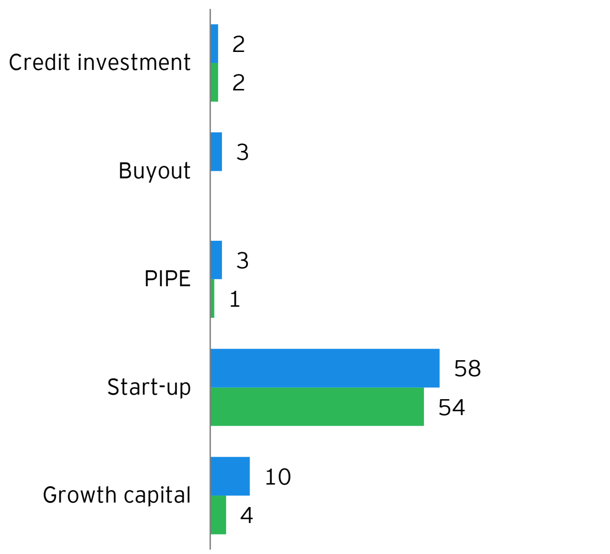


Exhibit 93: Deal type #
2020(61) , 2021(76)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 94: Top media and entertainment sector investments in 2021

Company/Asset	Investors	Sub-sector	Stage	Amount (US$m)	Deal Stake %
Dream Sports Fields Private Limited	Falcon Edge, DST Global, D1 Capital, Tiger Global, TPG Capital, and others	Online gaming	Growth capital	840	11
IPL franchise for Ahmedabad	Irelia Company Pte Limited (CVC Capital Partners)	Gaming and sports	Buyout	749	100
Mohalla Tech Private Limited (Sharechat)	India Quotient Fund, Lightspeed, Twitter Ventures, Tiger Global, and Snap Inc.	Online media services	Start-up	502	NA
Verse Innovation Private Limited (Dailyhunt)	QIA, B Capital, Sofina, Carlyle, and others	Online publishing	Growth capital	450	NA
Sporta Technologies Private Limited (Dream11)	Steadview Capital, Tiger Global, TPG, ChrysCapital, D1 Capital, Falcon Edge, and others	Online gaming	Growth capital	400	NA
Mohalla Tech Private Limited (Sharechat)	Alkeon Capital, Temasek, HarbourVest Partners LLC, Moore Capital, and others	Online media services	Start-up	266	7
Girnar Software Private Limited (Kheldekho)	Leapfrog Investments, Mirae Asset, Sequoia Capital, and others	Online publishing	Growth capital	250	17
Galactus Funware Technology Private Limited (Mobile Premier League)	Go Ventures, Sequoia Capital, Moore Capital, and others	Online gaming	Start-up	150	7
Mohalla Tech Private Limited (Sharechat)	Mirae Asset, Temasek, and others	Online media services	Start-up	145	5
Hubilo Softech Private Limited	Alkeon Capital and Lightspeed	Online media services	Start-up	125	NA
Saregama India Limited	Abu Dhabi Investment Authority, GIC, and Quebec Deposit and Investment Fund	Music streaming	PIPE	101	10
Amagi Media Labs Private Limited	Accel India, Norwest Venture Partners, and PI Opportunities Fund I (Premji Invest)	Advertising and marketing services	Growth capital	100	NA
Verse Innovation Private Limited (Dailyhunt)	QIA, Glade Brook, and others	Online publishing	Growth capital	100	NA
Galactus Funware Technology Private Limited (Mobile Premier League)	Composite Capital Management, Moore Capital, Go Ventures, and others	Online gaming	Start-up	95	NA

Source: EY analysis of VCCEdge data

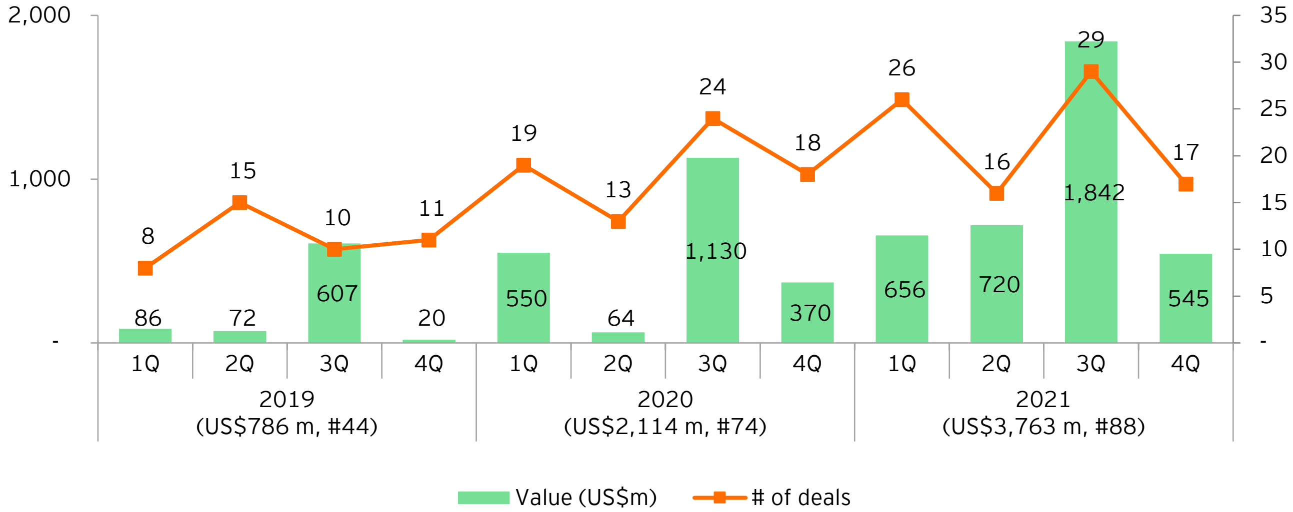
Education sector sees growing PE/VC interest amidst disruption in the business model

Traditional modes of pedagogy have witnessed a sea change both in delivery and consumption. Increasing internet and smartphone penetration, high data speeds, and low cost of data coupled with emergence of online education platforms has democratized access to education. Further, creativity in creation of educational content enabled by technology has ensured students have a plethora of choices for learning. The confluence of different technology advances has brought teaching and learning from inside the traditional classroom setup into the personal space of individual students.

These disruptions have revolutionized the various business models in the education sector across segments like training, tuitions, competitive exam preparation, upskilling etc.

As a result, PE/VC investments in the education sector have recorded a sharp increase in 2021 (US$3.8 billion) of 78% on the back of 169% (US$2.1 billion) y-o-y increase recorded in 2020. The total PE/VC investments in the education sector in 2020 and 2021 of US$5.9 billion are almost two times the investments in the education sector in all prior years combined.

Exhibit 95: Trend in investments in education sector



Source: EY analysis of VCCEdge data

Exhibit 96: Deal type (US$m)
2020(US$2,114m) , 2021(US$3,763m)

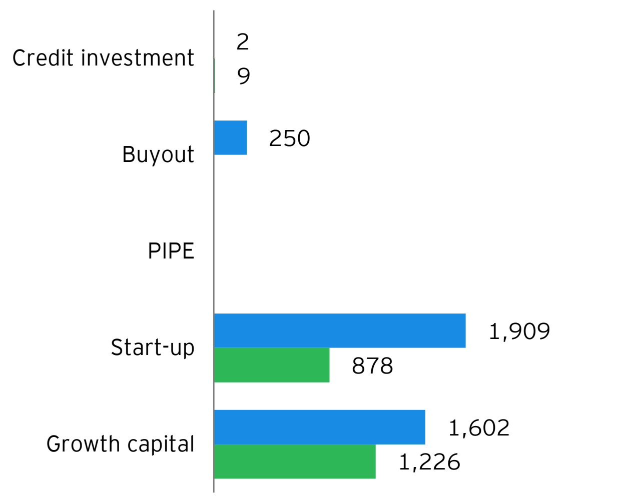
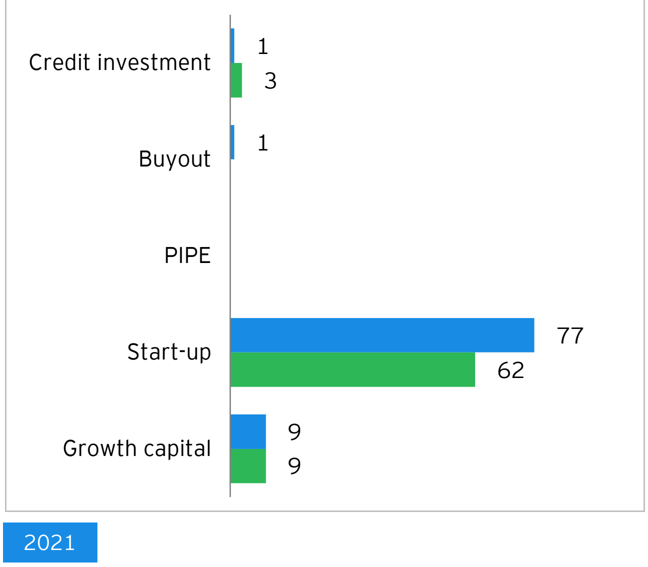


Exhibit 97: Deal type #
2020(74) , 2021(88)



Source: EY analysis of VCCEdge data

Exhibit 98: Top education sector investments in 2021

Company/Asset	Investors	Stage	Amount (US$m)	Deal Stake %
Eruditus Learning Solutions Pte. Limited	CPPIB, Accel India, SoftBank, Prosus Ventures, Sequoia Capital, and others	Growth capital	650	20
Think and Learn Private Limited (BYJU's)	B Capital, Baron Global Advantage Fund, and others	Growth capital	460	NA
Sorting Hat Technologies Private Limited (Unacademy)	Tiger Global, General Atlantic, SoftBank, Temasek, and others	Start-up	440	13
Think and Learn Private Limited (BYJU's)	UBS, Blackstone, ADQ, and others	Growth capital	400	2
Think and Learn Private Limited (BYJU's)	Oxshott Venture Fund, Edelweiss, IIFL, Veriton Fund, and others	Start-up	296	2
Simplilearn Solutions Private Limited	Blackstone	Buyout	250	70
Think and Learn Private Limited (BYJU's)	Asmaan Ventures, Mirae Asset, and ARK Ncore	Start-up	150	1
UpGrad Education Private Limited	Unilazer Ventures and Temasek	Start-up	129	NA
Vedantu Innovations Private Limited	Westbridge Capital, Coatue Management, and Tiger Global	Start-up	100	10
Teachmint Technologies Private Limited	Better Inc., Lightspeed, Learn Capital, and Epiq Capital	Start-up	78	16

Source: EY analysis of VCCEdge data

4 | Exits – at an all-time high

Exits – at an all-time high

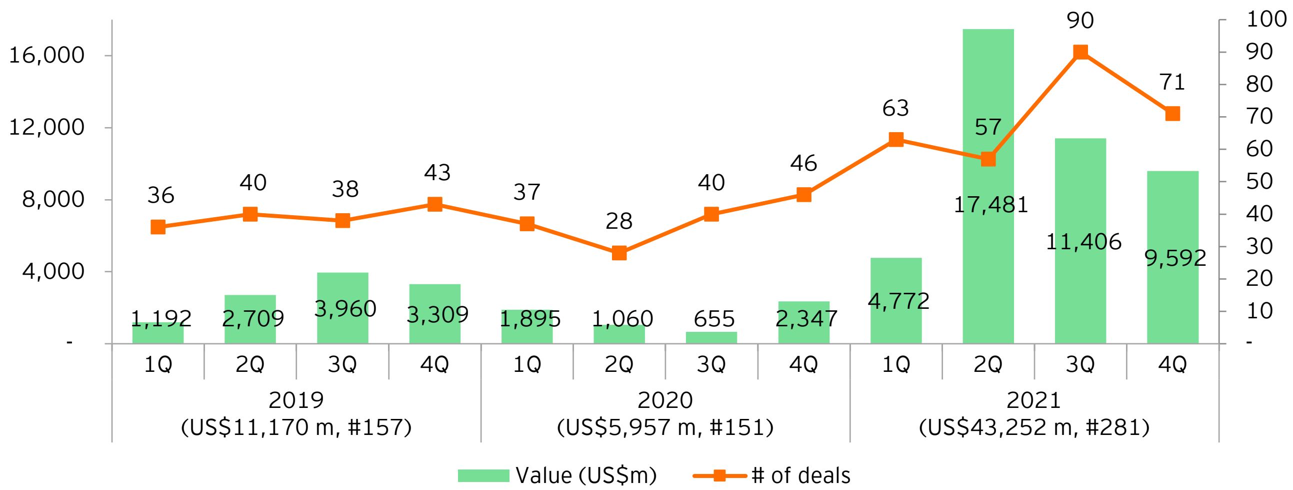
After reaching a six-year low of US$6 billion in 2020, exits in 2021 have scaled a high of US$43.2 billion, which is more than seven times the value recorded last year.

This large exits tally was driven by mega exit deals via sale to strategics and secondary deals among PE/VC funds. This was further augmented by the all-time high number of PE-backed IPOs that was spurred by buoyant capital markets that saw exuberance among institutional investors across FIIs and DIIs as well historic participation from retail investors in PE backed IPOs.

In addition to recording all-time high numbers across exit types, 2021 also recorded some new trends in the Indian market.

1. Acquisition of start-ups by corporates – For e.g., Tata -Bigbasket
2. Large sized secondary deals between buyout funds – Hexaware (Baring PE Asia- Carlyle), VFS Global (EQT-Blackstone), Encora (Warburg-Advent)
3. SPAC listing of an Indian company –ReNew Power lists on the NASDAQ via a merger with RMG Acquisition Corp. II, a blank cheque special purpose acquisition company (SPAC)
4. IPOs from new-age start-ups - Zomato, Nykaa, Policybazaar, Cartrade, FinoPay, Paytm etc.

Exhibit 99: Trend in PE/VC exits



Source: EY analysis of VCCEdge data

These new themes indicate a rise of new set of buyers across segments of India's exit market. In the following sections we review the trends in different exit segments for 2021.

Exhibit 100: Exit type (US$m)
2020(US$5,957m) , 2021(US$43,252m)

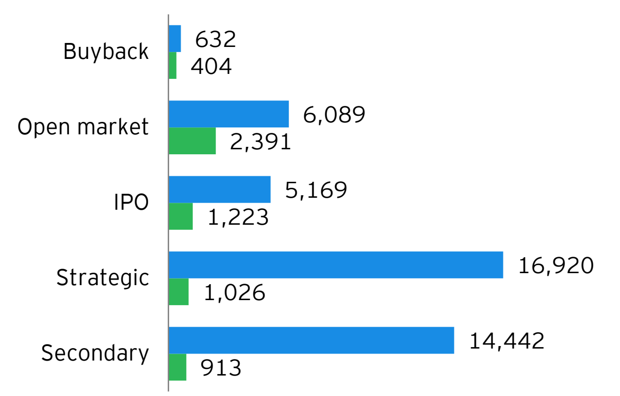
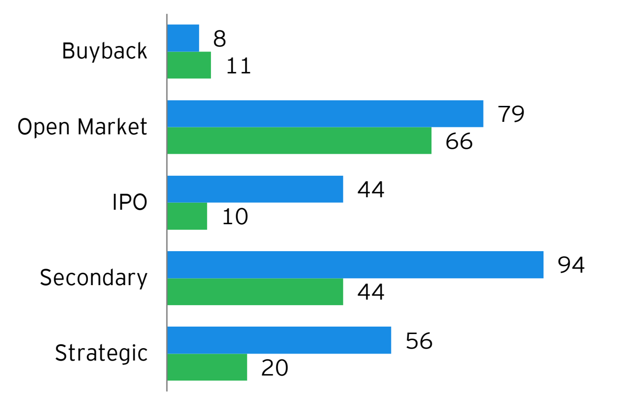


Exhibit 101: Exit type #
2020(151) , 2021(281)



2020 2021

Source: EY analysis of VCCEdge data

Exhibit 102: Top exits in 2021

Company/Asset	Sellers	Investors	Sector	Exit Type	Amount (US$m)	Deal Stake %
GlobalLogic Inc.	CPPIB, Partners Group	Hitachi	Technology	Strategic	8,640	90
Hexaware Technologies Limited	Baring PE Asia	Carlyle	Technology	Secondary	3,000	100
IndiaIdeas.com Limited (Billdesk)	General Atlantic, TA Associates, Temasek, Visa, March Capital, and Clearstone Venture	PayU (Prosus NV)	Financial services	Strategic	2,876	61
Mphasis Limited	BCP VI	(BCP VIII and BCP Asia), ADIA, UC Invest, GIC	Technology	Secondary	~2,800	56
VFS Global Services Private Limited	EQT VII fund	Blackstone	Business and professional services	Secondary	1,870	75
SB Energy Holding	Softbank	Adani Green Energy Limited (AGEL)	Power and utilities	Strategic	1,760	80
Encora	Warburg Pincus	Advent	Technology	Secondary	1,500	80
BigBasket	Alibaba, IFC, and Abraaj	TATA Group	E-commerce	Strategic	1,000	50
SPI Global	Partners Group	Baring Private Equity Asia	Technology	Secondary	800	100
Atria Convergence Technologies Limited	TA Associates, True North	Partners Group AG	Telecommunications	Secondary	~800	75

Source: EY analysis of VCCEdge data

Strategic exits

Exits via sale to strategics were the highest in 2021 at US$16.9 billion, 16.5 times the value recorded in 2020 and second highest value of strategic exits ever. The previous high was in 2018 of US$18.4 billion on account of the large Flipkart-Walmart deal of US$16 billion. In terms of numbers, strategic deals in 2021 were the highest ever at 94 deals (44 deals in 2020). Strategic exits accounted for 39% of all exit deals by value and 33% by volume in 2021.

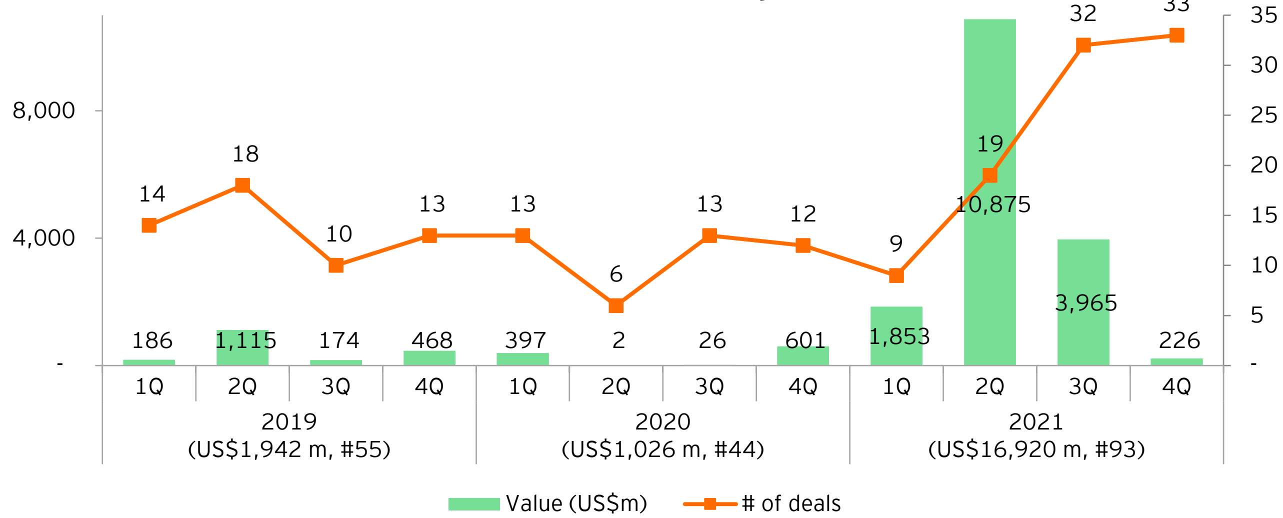
Technology sector was at the top with US$8.7 billion recorded across 23 exits mainly on account of the large US$8.6 billion exit from Global Logic by CPPIB and Partners Group via a sale to Hitachi, followed by financial services sector with US$3.1 billion recorded across eight exit deals. E-commerce and the renewables sector too recorded strategic exits worth over US$1 billion across nine and two deals respectively. This is quite significant when compared to previous years when there have been just four instances in the past 10 years of any sector recording exits worth more than a billion dollars.

In 2021, international buyers accounted for a larger share of strategic buyers in terms of value (70%) but in terms of volume domestic buyers accounted for a larger share (74%).

The largest outbound deal saw Hitachi acquire Global Logic, giving an exit worth US$8.6 billion to CPPIB and Partners Group for their 90% stake. The largest strategic exit in the domestic space saw Adani Green Energy Limited (AGEL) buyout Softbank's 80% stake in SB Energy for US$1.8 billion.

With the global economy recovering from the lows of COVID, many firms are looking to supplement their growth through acquisitions. Further, larger and stronger players are using the current opportunity to consolidate their position by acquiring weaker players at cheap valuations. Many PE/VCs too are focusing on creating platform plays and making bolt-on acquisitions through their portfolio companies. All these factors are expected to further add to the value and number of strategic exits in the coming years.

Exhibit 103: Trend in strategic exits



Source: EY analysis of VCCEdge data

Exhibit 104: Split by location of buyer (US$m) - 2021(US$16,920m)

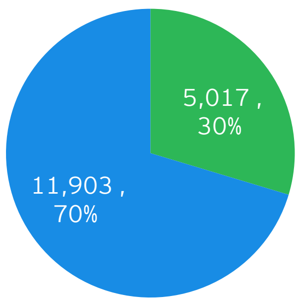
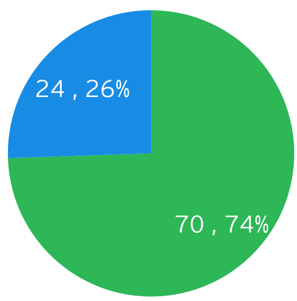


Exhibit 105: Split by location of buyer (# of deals) - 2021(281)



Domestic International

Source: EY analysis of VCCEdge data

Exhibit 106: Split by sector (US$m) - 2021(US$16,920m)

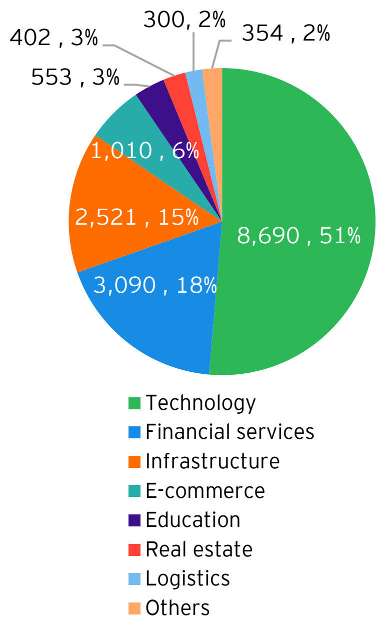
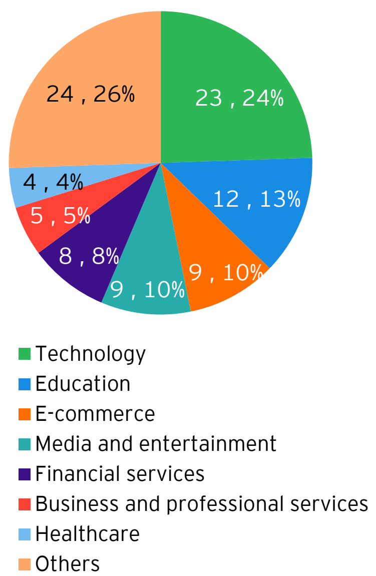


Exhibit 107: Split by sector (# of deals) - 2021(281)



Source: EY analysis of VCCEdge data

Exhibit 108: Top strategic exits in 2021

Company/Asset	Sellers	Investors	Sector	Amount (US$m)	Deal Stake %
GlobalLogic Inc.	CPPIB, Partners Group	Hitachi	Technology	8,640	90
IndiaIdeas.com Limited (Billdesk)	General Atlantic, TA Associates, Temasek, Visa, March Capital, and Clearstone Venture	PayU (Prosus NV)	Financial services	2,876	61
SB Energy Holding	Softbank	Adani Green Energy Limited (AGEL)	Power and utilities	1,760	80
BigBasket	Alibaba, IFC, and Abraaj	TATA Group	E-commerce	1,000	50
Gangavaram Port Limited	Warburg Pincus	Adani Ports and Special Economic Zone Limited	Infrastructure	761	32
Aakash Educational Services Limited	Blackstone	Think and Learn Private Limited (BYJU's)	Education	375	38
Intellion Square in Mumbai	Actis	Tata Realty & Infrastructure Limited	Real estate	312	26
Spoton Logistics Private Limited	Samara Capital, Xponentia, and others	Delhivery Private Limited	Logistics	300	100
Aon India Insurance Brokers Private Limited	Catamaran Ventures	Aon	Financial services	180	51
Toppr Technologies Private Limited	Eight Roads Ventures, Elevation Capital, and Helion Venture Partners	Think and Learn Private Limited (BYJU's)	Education	150	100

Source: EY analysis of VCCEdge data

Secondary exits

Secondary exits in 2021 have been the highest ever both in terms of value and volume recording US$14.4 billion across 56 deals, which is more than the total value of secondary exits in the previous five years combined. Secondary exits accounted for 33% of all exits by value and 20% by volume in 2021.

As a result of the COVID-19 pandemic in 2020, the deal velocity in secondary transactions had declined significantly as funds decided to focus on supporting their current portfolio companies to tide over the difficult times with top-up funding/bridge funding.

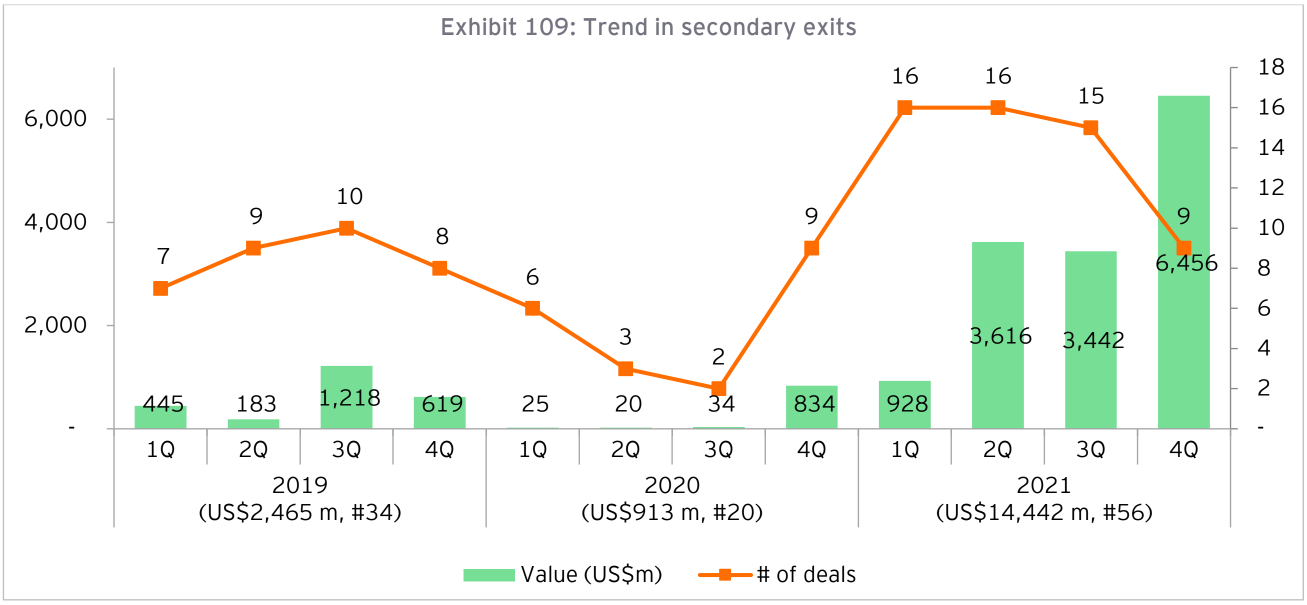
With high global liquidity and low interest rates lifting valuations across public and private markets alike, many PE/VC funds sitting on older vintage investments used this opportunity to exit long held positions at reasonably good valuations.

Further, with many companies choosing the IPO route to raise funding, large PE investors were actively looking for secondary deals especially in situations where financial sponsors hold majority control and where an IPO, though lucrative, is not a viable option for a complete exit given the size of their holding. As a result, there were many secondary deals between large buyout funds.

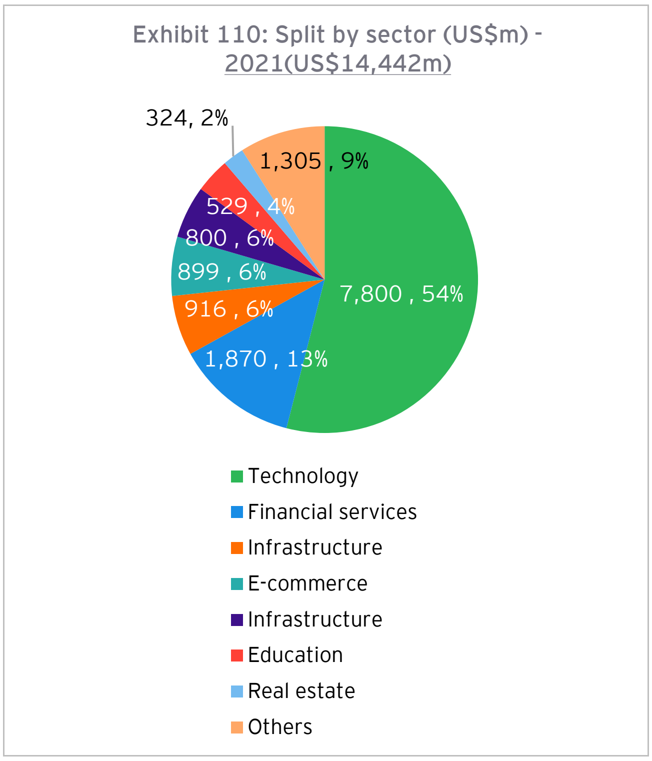
This created a win-win situation for both buyers and sellers. The buyer got to deploy large sums of capital in a single transaction as many global funds look to significantly increase their India allocations. Similarly, sellers got to return capital + returns to their LP's, thereby laying the foundation for bigger rounds in future fundraises.

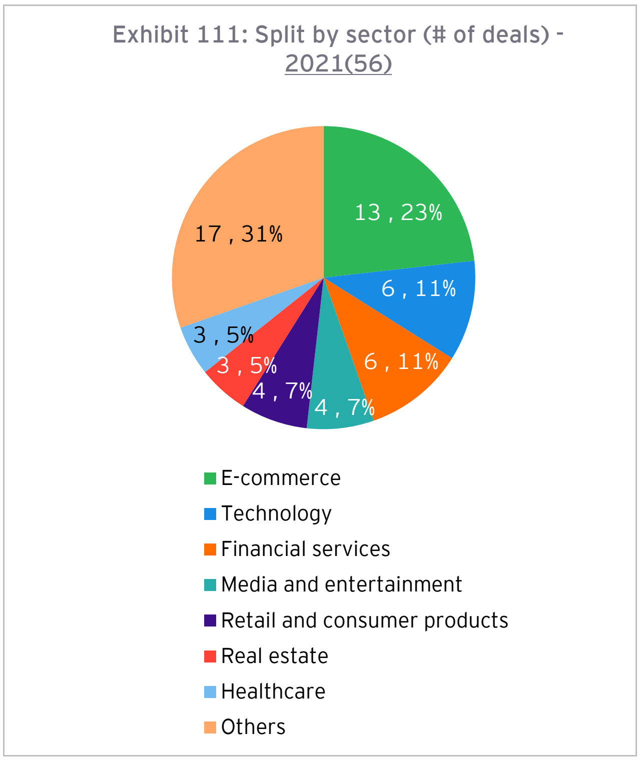
In terms of value, technology sector has accounted for 54% (US$7.8 billion) of all secondary exits by value in 2021 primarily due to few large deals. Next in line was business and professional services at US$1.9 billion due to a single large deal which involved Blackstone acquiring 75% stake in VFS Global from EQT. Financial services with US916 million and e-commerce with US$899 million were next in line.

In terms of number of deals, e-commerce recorded maximum secondary deals (13 deals) followed by technology and healthcare with six deals each.



Source: EY analysis of VCCEdge data





Source: EY analysis of VCCEdge data

Exhibit 112: Top secondary exits in 2021

Company/Asset	Sellers	Investors	Sector	Amount (US$m)	Deal Stake %
Hexaware Technologies Limited	Baring PE Asia	Carlyle	Technology	3,000	100
Mphasis Limited	BCP VI	(BCP VIII and BCP Asia), ADIA, UC Invest, GIC	Technology	2,800	56
VFS Global Services Private Limited	EQT VII fund	Blackstone	Business and professional services	1,870	75
Encora	Warburg Pincus	Advent International	Technology	1,500	80
Atria Convergence Technologies Limited	TA Associates, True North	Partners Group AG	Telecommunications	800	NA
SPI Global	Partners Group	Baring Private Equity Asia	Technology	800	100
ASK Group	Advent International	Blackstone	Financial services	541	40
Embassy Industrial Parks Private Limited	Warburg Pincus, Embassy Property Developments Private Limited	Blackstone Real Estate Partners	Real estate	501	70
ANI Technologies Private Limited (Ola)	Tiger Global and Matrix Partners	Temasek and Warburg Pincus	E-commerce	500	NA
Infogain Co.	ChrysCapital	Apax Partners	Technology	500	63

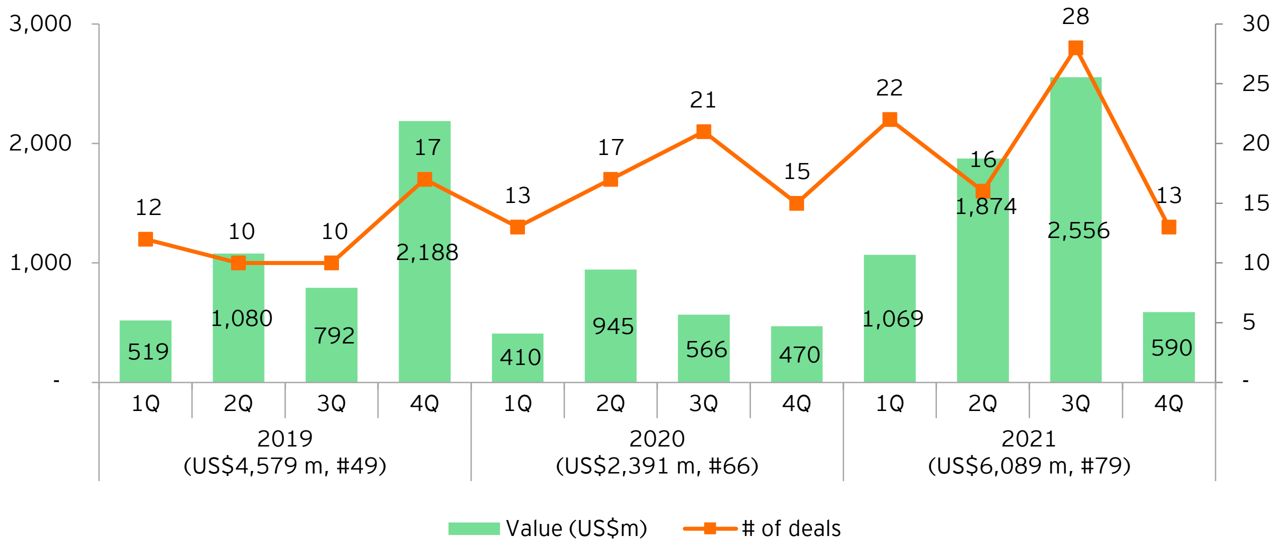
Source: EY analysis of VCCEdge data

Open market exits

Open market exits have been a mainstay for PE/VC exits in India over the past decade and expected to be one of the major avenues for exit considering there were large number of PE-backed IPOs in 2021 where PE/VC funds continue to hold sizeable stakes even after the IPOs. In 2021, open market exits recorded US$6.1 billion, second highest after US$6.2 billion recorded in 2017.

From a sector perspective, financial services was the largest sector for open market exits with US$3.6 billion realized across 25 exit deals and accounting for 59% of all open market exits by value in 2021. Next in line were technology (US$787 million), retail and consumer products (US$473 million) and healthcare (US$398 million).

Exhibit 113: Trend in open market exits



Source: EY analysis of VCCEdge data

Exhibit 114: Split by sector (US$m) - 2021(US$6,089m)

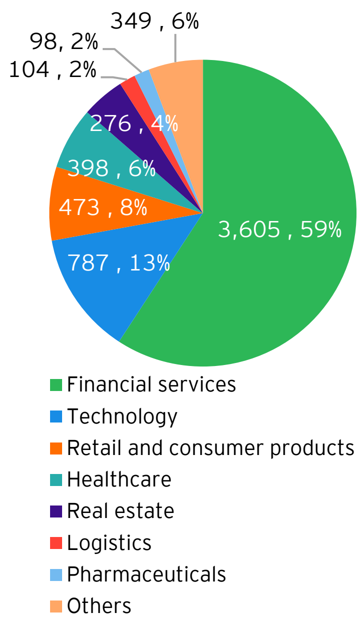
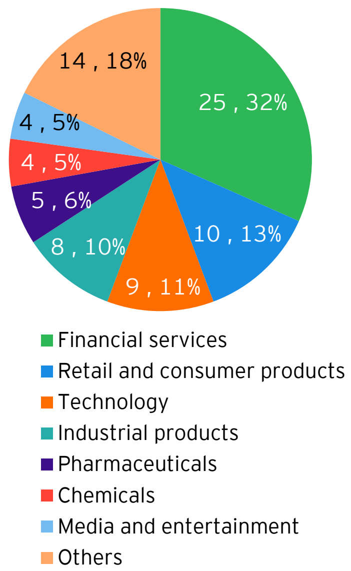


Exhibit 115: Split by sector (# of deals) - 2021(79)



Source: EY analysis of VCCEdge data

Exhibit 116: Top open market exits in 2021

Company/Asset	Sellers	Sector	Sector	Amount (US$m)	Deal Stake %
SBI Cards and Payment Services Limited	Carlyle	Financial services	June 2022	649	5
SBI Cards and Payment Services Limited	Carlyle	Financial services	March 2022	542	4
SBI Life Insurance Company Limited	Carlyle	Financial services	May 2022	531	4
SBI Cards and Payment Services Limited	Carlyle	Financial services	September 2022	443	3
Max Healthcare Institute Limited	KKR	Healthcare	September 2022	398	9
SBI Life Insurance Company Limited	CPPIB	Financial services	September 2022	367	2
SBI Life Insurance Company Limited	Carlyle	Financial services	August 2022	290	2
Embassy Office Parks REIT	Blackstone	Real estate	September 2022	275	6
Coforge Limited	Baring Asia Private Equity	Technology	May 2022	221	8
Coforge Limited	Baring Asia Private Equity	Technology	August 2022	214	6

Source: EY analysis of VCCEdge data

IPO exits

IPO as a mode of exit has been quite cyclical, changing in line with the performance of major equity indices. 2021 has been a good year for PE-backed IPOs in India, recording an all-time high of 44 PE/VC backed IPOs. In 2021, PE/VC backed IPOs have raised US$13.1 billion, highest value raised by PE-backed IPOs. In 2021, PE-backed IPOs accounted for 67% of all IPOs in 2021 and 76% of all IPO proceeds. IPOs in 2021 provided a major liquidity event for PE/VC funds who garnered US$5.1 billion in the offer-for-sale component of these IPOs.

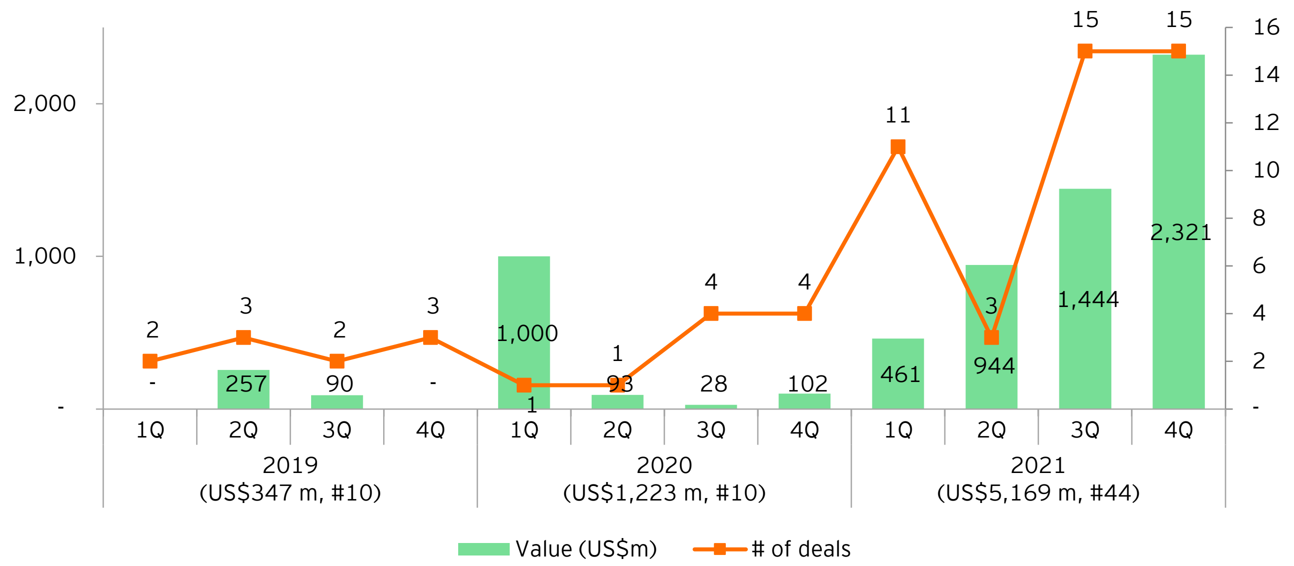
Financial services and consumer sectors remain the top sectors for PE/VC-backed listings. In 2021, financial services sector is at the top with seven IPOs followed by automotive, e-commerce and food and agriculture with four IPOs each. A new trend amongst this year's listings were IPOs from new-age start-ups, overseas listing and listing via the SPAC route.

With listings of start-ups like Nykaa, Policybazaar, Paytm, Cartrade, FinoPay etc. and other unicorns looking to go public, the pipeline of IPO bound start-ups was quite long at the end of 2021. However, with tightening of liquidity, uncertainty caused by geo-political events, and sharp correction in some recently listed start-ups in the initial months of 2022, the sentiment for IPOs from start-ups and other companies has dampened to an extent.

ReNew Power listed on the NASDAQ in August 2021 through a merger with RMG Acquisition Corp. II, a blank cheque SPAC, the first ever SPAC listing by an Indian company. This potentially opens a new fundraising route for Indian companies as well as an additional exit avenue for early investors.

Among PE/VC funds, Sequoia had the maximum number of portfolio companies that IPO'd (5 IPOs) which include Indigo Paints, Stove Craft, Craftsman Automation, Go Fashion and Zomato, followed by Temasek, TPG and Warburg with three PortCo IPOs each.

Exhibit 117: Trend in PE-backed IPO exits



Source: EY analysis of VCCEdge data

Exhibit 118: Split by sector (US$m) - 2021(US$5,169m)

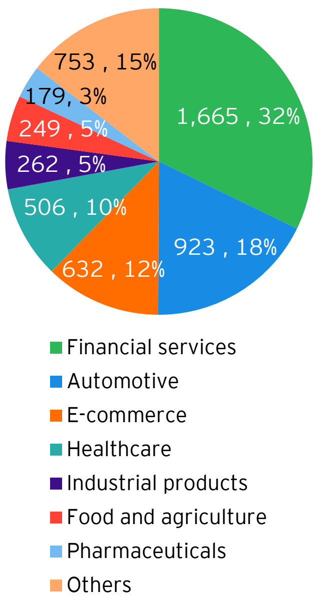
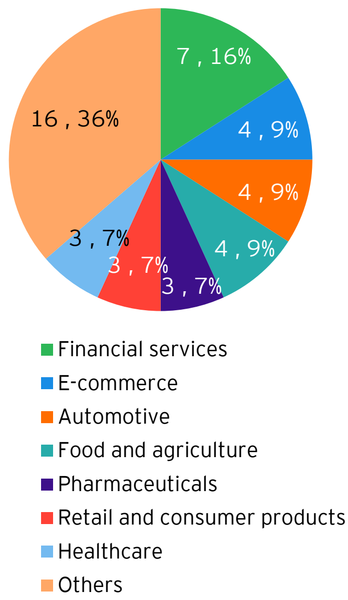


Exhibit 119: Split by sector (# of deals) - 2021(44)



Source: EY analysis of VCCEdge data

Exhibit 120: Top PE-backed IPO exits in 2021

Company	Sellers	Sector	Amount (US$m)	Deal Stake %
Sona BLW Precision Forgings Limited	Blackstone	Automotive	719	33
One 97 Communications Limited (Paytm)	SAIF Partners, Elevation Capital, Softbank, and others	Financial services	499	3
Star Health and Allied Insurance Co. Limited	WestBridge, Apis Growth, and others	Financial services	481	7
Cartrade Tech Limited	Temasek, Warburg, and March Capital	E-commerce	378	38
Aptus Value Housing Finance India Limited	Westbridge, Granite Hill, and Madison India Opportunities	Financial services	291	12
PB Fintech Private Limited (Policybazaar)	Softbank	Financial services	252	4
Vijaya Diagnostic Centre Limited	Karakoram and Kedaara Capital	Healthcare	221	30
Krishna Institute of Medical Sciences Limited	General Atlantic	Healthcare	177	20
MedPlus Health Services Limited	PI Opportunities and Warburg Pincus	Pharmaceuticals	155	13
FSN E-Commerce Ventures Private Limited (Nykaa)	TPG Growth, Lighthouse	E-commerce	151	2

Source: EY analysis of VCCEdge data

Exhibit 121: Top PE/VC funds in 2021 in terms of number of IPO listings

Issuer Company	Number of IPOs	Investees
Sequoia	5	Indigo Paints, Stove Craft, Go Fashion, Craftsman Automation and Zomato
Temasek	3	Zomato, Devyani International (Pizza Hut), and Cartrade
Warburg	3	Kalyan Jewellers, Medplus and Cartrade
TPG	3	Nykaa, Dodla Dairy, and Shriram Properties

Exhibit 122: IPO pipeline

Company name	PE/VC investor	Sector
Aadhar Housing Finance Limited	Blackstone	Financial services
API Holdings Limited (PharmEasy)	Eightroads, CDPQ, Temasek, Tiger Global, TPG, Orbimed, ADQ, Blackstone and others	E-commerce
ASK Investment Managers Limited	Blackstone	Financial services
Crystal Crop Protection Limited	Everstone Capital	Chemicals
Delhivery Limited	Carlyle, CPPIB, GIC, Nexus, Softbank, Tiger Global, and Steadview	Logistics
Five Star Business Finance Limited	KKR, Matrix, Norwest, Sequoia, TPG, and TVS Capital	Financial services
Fusion Micro Finance Limited	Warburg Pincus	Financial services
Global Health Limited (Medanta)	Carlyle and Temasek	Healthcare
Healthium Medtech Limited	Apax Partners	Healthcare
Oravel Stays Limited (OYO)	Eightroads, Sequoia, Softbank, and Lightspeed	E-commerce
Sahajanand Medical Technologies Limited	Samara Capital and Morgan Stanley	Healthcare
Seven Islands Shipping Limited	Fairfax and Wayzata	Logistics
Vectus Industries Limited	Creador	Industrial products

Source: SEBI and VCCEdge

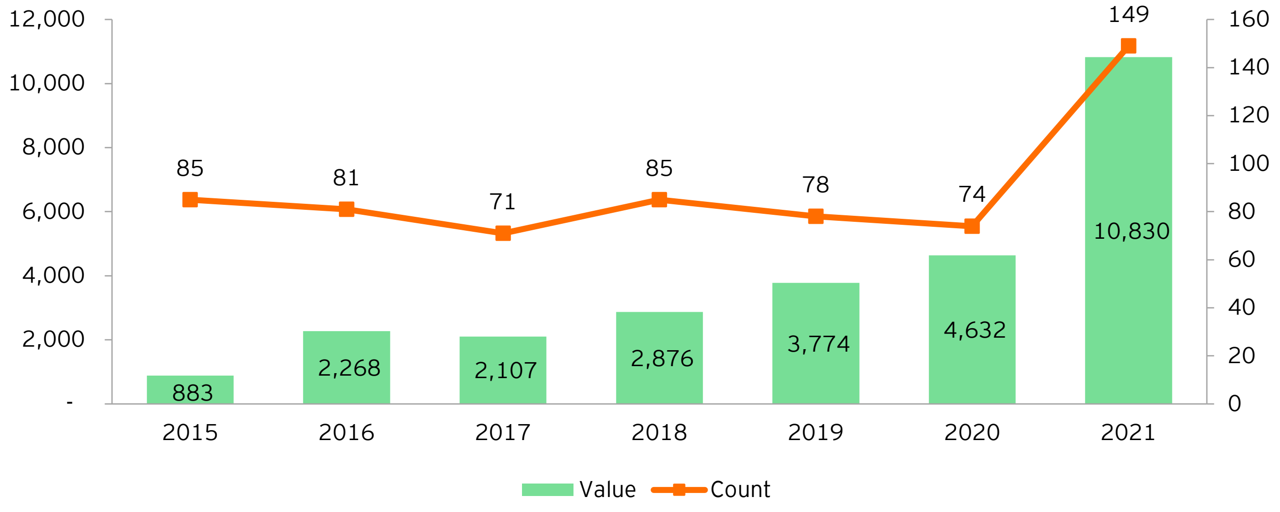
5 | Trends in add-on/bolt-on deals by PE/VC investees

Trends in add-on/bolt-on deals by PE/VC investees

While the PE/VC investment activity has been on a roll over the past few years, another underlying theme that has been playing out is the add-on/bolt-on investments made by PE/VC-funded companies.

Since 2015 we have witnessed US$27.4 billion invested by PE/VC-funded companies or special platforms set-up by PE funds with an inorganic growth thesis. Add-on/bolt-on investments have been on an accelerated growth trajectory, growing more than 10-fold from less US$1 billion in 2015 to US$10.8 billion in 2021. Add-on/bolt-on deals are at an all-time high in 2021, more than twice the value and numbers recorded in 2020.

Exhibit 123: Trend in add-on/bolt-on deals by PE/VC investees



Source: EY analysis of data from Mergermarket, Thomson, Bloomberg, and news reports

Consolidating market share, adding new capabilities, enhancing areas of growth, access to new geographies/markets/customer segments, and vertical/horizontal integration have been some of the key drivers behind the add-on/bolt-on deal activity undertaken by most PE/VC-funded companies that benefit from the strong PE/VC backing even when not having positive cashflow from operations.

In addition, many PE-funds are also adopting a buy and build strategy by setting-up platforms for specific themes, thereby having greater control on the strategy and growth trajectory of the business. A platform company is the initial acquisition made by a PE/VC fund in a specific industry or investment type which serves as the foundation for roll-up of other companies acquired in the same industry. Some private equity firms acquire two to three platform companies for each fund, and then grow these platform companies both organically and through acquisition.

A platform company usually has the following characteristics:

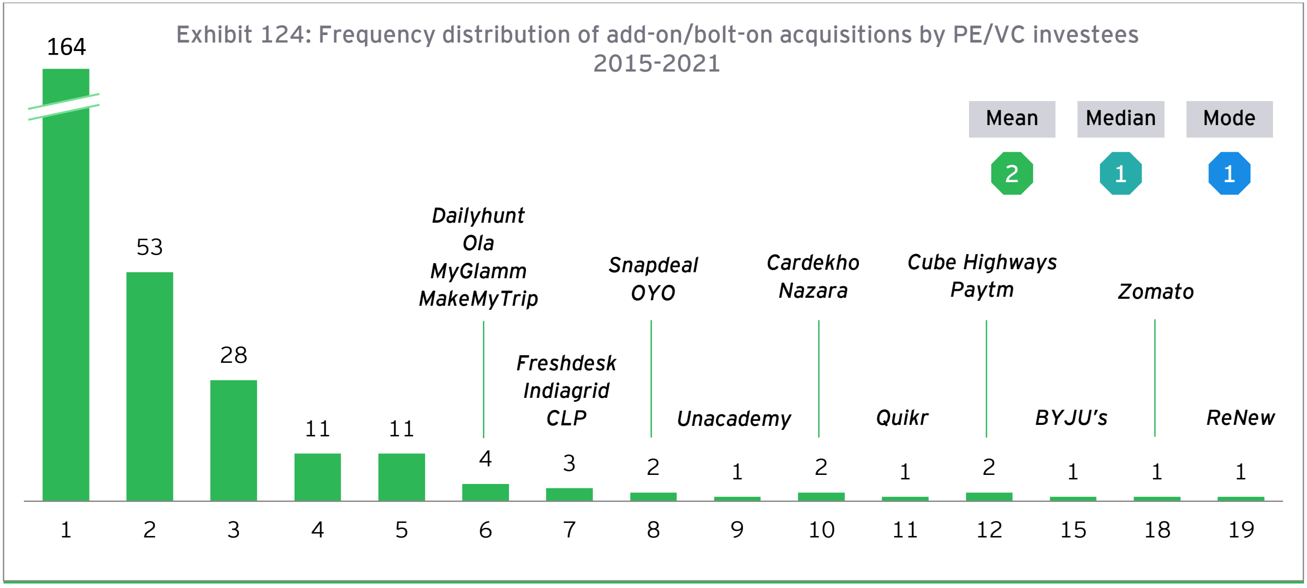
- Has a strong, experienced management team with a proven track record of growth;
- Is usually a top player in a well-defined and growing niche market; and
- Is a larger company with defined systems and standard operating procedures (SOP) that match the investment criteria of the private equity firm.

Off-late there have been platforms set-up in the renewables, pharma, EV and technology sectors.

The spate of add-on/bolt-on deals has increased tremendously in the last three years with many well-funded companies taking the opportunity to consolidate their market share or add capabilities at significantly lower valuations.

On an average PE/VC funded companies did two add-on/bolt-on deals with a few exceptions that have done more than 10 deals, sometimes even 2-3 deals in a single year. The most notable among these include ReNew Power, BYJU's, Paytm, Zomato, Quikr, Cardekho and Nazara.

Exhibit 124: Frequency distribution of add-on/bolt-on acquisitions by PE/VC investees 2015-2021



Source: EY analysis of data from Mergermarket, Thomson, Bloomberg, and news reports

Exhibit 125: Add-on/bolt-on deals 2015-2021 – split by sectors (value US$m)

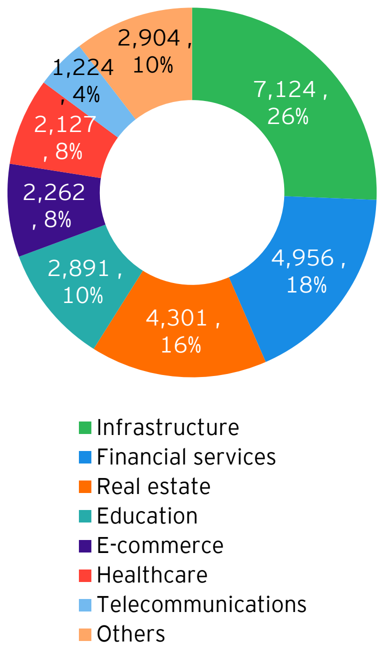
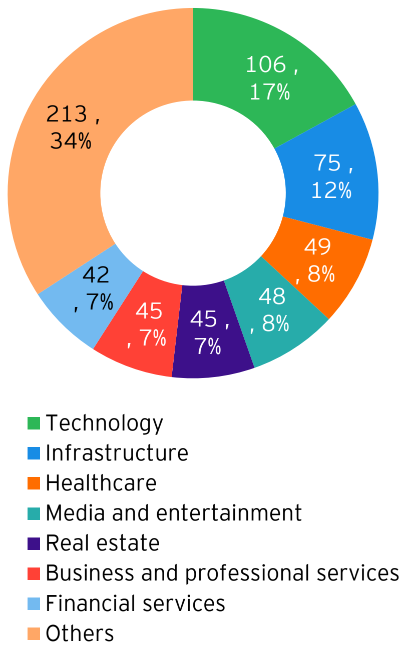


Exhibit 126: Add-on/bolt-on deals 2015-2021 – split by sectors (number of deals)



Source: EY analysis of data from Mergermarket, Thomson, Bloomberg and news reports

From a sector perspective, the highest add-on/bolt-on deals in terms of value have happened in the infrastructure sector worth US$7.1 billion, primarily driven by consolidation in the renewables sector. This was followed by financial services sector worth US$5 billion which was driven by consolidation as well as e-commerce businesses acquiring payment/fintech capabilities to facilitate ease of transactions for their core business.

The next largest sector in terms of value of add-on/bolt-on deals was real estate (US$4.3 billion). Off-late, education sector has recorded a flurry of large deals recording US$2.9 billion in the last two years, mainly on account of the mega acquisitions done by BYJU's.

In terms of number of deals, maximum add-on/bolt-on deals have happened in the technology sector (106 deals), followed by infrastructure (75 deals), healthcare (49 deals), and media and entertainment (48 deals).

Exhibit 127: Top add-on/bolt-on deals in 2015-2021

Company	Sector	Buyer	PE Fund	Year	Amount (US$m)	Stake%
IndiaIdeas.com Limited (Billdesk)	Financial services	PayU (Prosus NV)	TA Associates, General Atlantic	2021	4,700	100
Ostro Energy Private Limited	Power and utilities	ReNew Power	Goldman Sachs, GEF Capital, ADIA, and CPPIB	2018	1,663	100
Embassy Office Ventures Private Limited/Embassy Tech Village	Real estate	Embassy Office Parks Real Estate Investment Trust	Blackstone RE	2020	1,314	NA
ibibo Group Private Limited	E-commerce	MakeMyTrip	Helion Ventures and Tiger Global	2016	1,274	100
Aakash Educational Services Limited	Education	BYJU's	Sequoia, Lightspeed Venture, General Atlantic, Prosus Ventures, and Tencent	2021	1,000	NA
Nine TOT projects of NHAI	Infrastructure	Cube Highways	I Squared and IFC	2019	716	100
NER II Transmission Limited	Power and utilities	India Grid Trust	GIC and KKR	2021	636	100
Idea Cellular Infrastructure Services Limited	Telecommunications	ATC Telecom Infrastructure Private Limited	IDFC and Macquarie	2017	614	100
Great Learning Education Pte Limited	Education	BYJU's	Sequoia, Lightspeed Venture, General Atlantic, Prosus Ventures, and Tencent	2021	600	100
Two existing malls and an upcoming retail development project	Real estate	Virtuous Retail Services Private Limited	Xander	2019	550	100

Source: EY analysis of data from Mergermarket, Thomson, Bloomberg, and news reports

Exhibit 128: Illustrative list of platforms set-up by PE funds in recent years

Fund	Platform	Sector	About the Platform
Blackstone	Nexus Malls	Real estate	Platform to invest in retail assets - AlphaOne, L&T's Seawoods mall are some of its recent investments
	Embassy Office Parks	Real estate	A JV with Embassy Group to invest in/develop commercial assets
Brookfield	Brookfield Renewable Energy Partners	Renewable energy	TerraForm Global. It is scouting for green energy assets in India
Carlyle	Viyash Life Sciences	Pharmaceuticals	A platform to consolidate other pharma intermediates, API and formulation assets to create an integrated offering for large generics customers
CDPQ	Logos India	Industrial warehousing	A platform to invest in/develop industrial warehouses
CPPIB	Island Star City Mall	Real estate	A JV with Phoenix Group to invest in/develop commercial assets focused on retail sector
Everstone	EverSource Capital	Green energy platform	A JV with Lightsource BP to jointly manage funds focused on contracted power, distribution infrastructure and energy services in India
	Indospace	Industrial warehousing	A platform to invest in/develop industrial warehouses. CPPIB has also come in as a co-investor in this platform
Fairbridge	Quess Corp	Business services/ITES	Has invested in Monster.com, Heptagon Technologies Private Limited, Comtel Solutions, Manipal Integrated Services etc.
Goldman Sachs	ReNew Power Ventures	Renewable energy	Owns over 2GW of renewable energy assets. CPPIB has also come in as a co-investor in this platform

Fund	Platform	Sector	About the Platform
	Samhi Hotels **(Exited)**	Hotels	A platform focused on development, acquisition and ownership of branded hotels located in prime markets throughout India
I Squared Capital	Cube Highway	Infrastructure	A JV with IFC to invest in road assets
KKR	Emerald Media	Media and entertainment	Asian media platform that has invested in Global Sports Commerce, Cosmos-Maya **(exited)**, Amagi Media **(exited)**, Yupp TV, Endemol Shine India, OML, Graphic India, Net Mediatama
	Radiant Life Care (Max Healthcare)	Renewable energy	A platform investing in hospital assets -Radiant's facilities include BLK Super Specialty Hospital in New Delhi and the Nanavati Super Specialty Hospital in Mumbai. It has recently merged with Max Healthcare
	Virescent	Renewables	A platform to invest in a diversified portfolio of operational renewable energy assets, facilitated by investments predominantly made through KKR's infrastructure fund
NIIF-DP World	Hindustan Infralog	Infrastructure	A US$3 billion platform to invest in ports, terminals, transportation and logistics businesses in India. They recently acquired Continental Warehousing
TPG	Asia Healthcare	Healthcare	Investments by the platform include Rhea Healthcare, Cancer Treatment Services International, Nova IVF and Southend Fertility IVF
Warburg Pincus	Stellar Value Chain Solutions	Logistics	An integrated logistics solutions platform which has acquired Patel Roadways and Kelvin Cold Chain
	Embassy Industrial Parks **(Exited)**	Industrial warehousing	A JV with Embassy Group focusing on the development of industrial and warehousing spaces near key cities across India
	Vivtera	BPO	A platform that aims to acquire or partner with companies in high end financial services and fast growth technology sectors let by former core team members of Genpact
Xander Group	Virtuous Retail	Real estate	Platform of retail assets - has properties in Surat, Chennai and Bengaluru under the VR brand

6 | Tax and regulatory updates

Tax and regulatory updates

Introduction:

The year 2021 continued to be affected by the worst pandemic the world has seen in more than a century. The year 2022 is expected to be the first normal year after COVID-19 adversely impacted growth during the two-year period covering 2020 and 2021.

Union Budget 2022 emphasized restoring growth normalcy while undertaking fiscal consolidation. From a tax standpoint, the Government focused on providing a stable and predictable tax regime. The Budget aims to tax virtual digital assets and reduce the effective long term capital gains tax rate.

We have summarized below some of the key tax and regulatory changes introduced in 2021 and in the recently announced Union Budget 2022 that could impact the alternative investments ecosystem.

Tax section:

A] Key tax proposals introduced vide Finance Bill, 2022

The Union Budget 2022, presented by the Hon'ble Finance Minister, Mrs. Nirmala Sitharaman, seeks to lay the foundation and give a blueprint to steer the economy over the next 25 years – from India at 75 to India at 100.

From a direct tax perspective, the Budget offered the following proposed amendments:

1. ***Tax incentives for units located in International Financial Services Centre (IFSC)***
    - **Incentives to Offshore Banking Units** – The existing provisions of the ITL provides many incentives to offshore banking units (OBUs) and units located in IFSC. Further, benefit is also provided to the non-residents dealing with such units. FB 2022 has now expanded the scope of incentives and provides for certain additional benefits as below:
        - It is proposed to grant an exemption on income arising to or received by a non-resident on transfer of offshore derivate instruments or over the counter derivatives entered into with an OBU in the IFSC, subject to prescribed conditions.
        - It is proposed to grant an exemption on income of a non-resident from portfolio of securities/ financial products/ funds managed by a portfolio manager in IFSC, received in an account maintained with an OBU in IFSC, to the extent such income accrues/ arises outside India and is not deemed to accrue/ arise in India.
        - Category I or Category II AIF in IFSC will be exempt from the provisions of the IT Act which taxes consideration received on issues of shares at premium exceeding fair market value to residents; This brings parity with AIFs outside IFSC which were already excluded from the provisions.
    - Following incentives currently applicable to aircraft leasing activities in an IFSC also extended to leasing activities in relation to 'ships' (if the unit has commenced its operations on or before 31 March 2024):
        - Interest and royalty income paid by a unit in IFSC to a non-resident on account of lease will be exempt; and
        - Income arising from the transfer of a ship leased by a unit in IFSC will be eligible for deduction under 80LA of the IT Act.

2. ***Scheme for taxation of virtual digital assets***
    - A new section introduced to tax "virtual digital assets" (VDA) effective 1 April 2023.
    - VDA to mean any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means and includes non-fungible token or tokens (NFTs) of similar nature.
    - Any income from transfer of VDA will now be taxable @ 30%.
    - No deduction of expenses or allowance of set-off of any loss to be allowed other than cost of acquisition.
    - No set off of losses or carry forward of losses will be allowed on transfer of VDA.
    - Gift of VDA will be taxable in the hands of recipient.
    - Withholding tax @ 1% to be applicable on the sum credited to a resident (excluding specified persons).

3. ***Provisions pertaining to dividend and bonus stripping to be made applicable to units of InvIT/ REIT/ AIF***

- **Provisions of dividend stripping** - Currently, where a taxpayer incurs any losses (to the extent of dividend or income received) on sale of securities (being shares and stocks) or mutual fund units, the said loss is ignored for the purposes of computing the income chargeable to tax, if the following conditions are satisfied:
    - Taxpayer acquires the securities (being shares and stocks) or mutual fund units within a period of three months prior to the record date (i.e., the date fixed by the company/ mutual fund for the purposes of entitlement of the holder of the securities to receive dividend or income, as the case may be).
    - The taxpayer sells or transfers such securities (being shares and stocks) within a period of three months or mutual fund units within a period of nine months after the record date; and
    - The dividend or income distributed on such securities (being shares and stocks) or mutual fund units is exempt from tax.
- It is proposed to amend the definition of 'unit' to include units of an InvIT or REIT or AIF. Additionally, the term 'record date' is proposed to be amended to include date fixed by the InvIT/ REIT/ AIF for the purposes of entitlement of the holder of the units to receive income on their holdings.
- **Provisions of bonus stripping** - Currently, losses incurred by a taxpayer on sale of mutual fund units are ignored for the purposes of computing the income chargeable to tax, if the following conditions are satisfied.
    - Taxpayer acquires mutual fund units within a period of three months prior to the record date (i.e., the date fixed by the mutual fund for the purposes of entitlement of the unitholder to receive additional units without consideration).
    - Taxpayer is allotted additional units without any payment on the basis of original holding.
    - Taxpayer sells or transfers the original mutual fund units within a period of nine months after the record date while continuing to hold all or any of the additional units.
- The Bill proposes to extend the applicability of bonus stripping provisions to all securities (being shares and stocks) and units of InvIT/ REIT/ AIF.

4. ***Conversion of interest into debenture or any other instrument not to be regarded as 'payment'***

- The current provisions of the IT Act provide that deduction with respect to interest payable on loan or borrowing from, inter alia, specified institutions/ NBFCs/ scheduled or co-operative banks shall be allowed to be claimed as deduction on payment basis.
- Further, the existing provisions provide that where such interest has been converted into a loan or advance, then such interest shall not be deemed to have been actually paid for the purposes of claiming a deduction.
- It is now proposed to expand the above list by introducing an amendment whereby conversion of interest payable into a 'debenture or any other instrument by which liability to pay is deferred to a future date' shall also not be deemed to have been actually paid and accordingly, will not be allowed as a deduction.

5. ***Expense incurred to earn exempt income disallowed in all circumstances***

- The existing provisions of the IT Act disallow any expenditure incurred to earn income exempt from income tax. Hitherto, there arose a controversy over allowability of such expense when no corresponding income is earned in such year, with many courts holding the expense to be deductible.
- To set the controversy to rest, the Budget 2022 proposes to clarify that expense incurred to earn exempt income shall be disallowed even in cases where no corresponding income is earned during the year.
- This amendment will be effective from assessment year 2022-23.

6. *Disallowance of surcharge and cess*

   - There has been a dispute with conflicting rulings on deductibility of surcharge and cess levied on income-tax as an expense while computing business income. The Budget 2022 now proposes to clarify that deduction for surcharge and cess will not be allowed in the computation of business income of the taxpayer.
   - This amendment is effective retrospectively from assessment year 2005-06.

7. *Withdrawal of concessional rate of taxation on dividend income received by Indian company from specified foreign company*

   - Under the existing provisions of IT Act, if dividend income is received by an Indian company from a foreign company in which the Indian company holds 26% or more of the nominal value of equity shares (specified foreign company), a concessional tax rate of 15% (excluding surcharge and cess) was applicable in the hands of the Indian company on such dividend income.
   - The Budget 2022 now proposes that the concessional rate of taxation for an Indian company on dividend received from a specified foreign company will not be applicable and same will be taxable under the regular tax rates.

8. *Tax incentives for start-ups*

   - Currently, a 100% profit-linked deduction is available for income earned from eligible business to eligible start-ups which is incorporated on or after 1 April 2016 and before 1 April 2021. Tax deduction is now extended by another year up to 31 March 2023.

9. *Mergers, acquisitions, and corporate restructuring related proposals*

   - Reduction of goodwill from the block of assets (pursuant to amendment made in Finance Act 2021) shall be deemed to be a transfer.
   - TDS on sale of immovable property to apply on higher of sale consideration or stamp duty value.
   - Surcharge on long term capital gains capped at 15% for Individuals, Hindu Undivided Families, Association of Persons and Body of Individuals (from the maximum rate of 37% earlier).

<u>B] CBDT issued guidelines / press releases during the year</u>

1. **CBDT provides restrictive interpretation of Most-favoured-nations (MFN) clause**

   - The CBDT has issued the Circular considering several representations received, seeking clarity on the applicability of the MFN clause. The Circular provides that benefit of lower rate and restricted scope under MFN clause will be extended only when all the below conditions are satisfied cumulatively:
     - India's DTAA with the country which has beneficial lower rate or restricted scope (referred as the third State) is entered into after the signature/entry into force, depending on language of MFN Clause, of India's DTAA.
     - The third State must be an OECD member at the time of signing its treaty with India.
     - India limits its taxing rights in relation to rate or scope of taxation in its treaty with the third State.
     - India issues a separate notification under the Income Tax Laws (ITL) for importing the favorable benefits of third State treaty into the original treaty.
   - Further, the above Circular will not be applicable in case of taxpayers who have received a favorable decision by any court on the applicability of MFN clause.

2. **CBDT issues thresholds for triggering "significant economic presence" in India**

   - To tax non-residents (NR) carrying out business remotely in India, India expanded the concept of business connection (BC) to include a new nexus rule based on "significant economic presence" (SEP). As per SEP provisions, a BC will be constituted in India based on below parameters:
     - Revenue-linked condition: Any transaction in respect of any goods, services or property carried out by an NR with any person in India, including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the tax year exceeds the amount as may be prescribed; or
     - User-linked condition: Systematic and continuous soliciting of its business activities or engaging in interaction with such number of users in India as may be prescribed.
   - For determination of above thresholds, the CBDT invited suggestions from the stakeholders

and pursuant thereto, on 3 May 2021, it issued a notification prescribing the revenue and user thresholds for applicability of SEP provisions as under:

- For revenue-linked condition stated in (a) above, a revenue threshold of INR2 crores (INR20 million) shall be applicable.
- For user-linked condition stated in (b) above, a user threshold of INR3 lakhs (INR0.3 million) shall be applicable.

3. **CBDT issues guidelines for withholding tax on purchase of goods from resident sellers**

- As a measure to widen and deepen the tax net, the Finance Act, 2021 (FA 2021) widened the withholding provisions by extending it to buyers on purchase of goods from resident sellers of value exceeding INR5 million during the tax year, subject to certain specified thresholds and exclusions [tax deducted at source (TDS) on purchases]. This is in addition to provision for tax collection by seller from buyer on receipt of consideration towards sale of goods introduced by the Finance Act, 2020 (FA 2020), with effect from 1 October 2020 [tax collected at source (TCS) on sales].
- In response to representations received from stakeholders requesting clarifications on various issues relating to the above provision, the Circular provides the following clarifications for removal of difficulties:
  - Transactions of securities or commodities traded on a recognized stock exchange or cleared and settled by a recognized clearing corporation and transactions in electricity, renewable energy certificates and energy certificates traded through regulated power exchanges, are exempt from TDS on purchases.
  - TDS on purchases shall not be applicable if either the payment or the credit of the amount with respect to purchase of goods occurs before 1 July 2021, but for computing annual threshold of INR5m, the amounts paid/credited prior to 1 July 2021 during tax year 2021-22 are to be included.
  - In cases where TDS on purchases is made on credit of amount to seller and the Goods and Services Tax (GST) component is indicated separately in a contract/agreement between the buyer and the seller, TDS on purchases shall be made on the amount of purchases excluding GST. Where, however, TDS on purchases is made on payment (where payment is earlier than credit), TDS on purchases would apply on the entire amount of payment. Furthermore, if TDS on purchases has already been made on the goods returned and the money is returned by the seller, an adjustment can be done against subsequent purchases made from the same seller.
  - Non-resident (NR) buyer is not required to do TDS on purchases from resident sellers, which are not connected with the NR buyer's permanent establishment (PE) in India. For this purpose, "PE" shall mean to include a fixed place of business through which the business of the enterprise is wholly or partly carried on.
  - TDS on purchases shall not apply in the first year of incorporation of a buyer.
  - TDS on purchase or TCS on sales shall not apply to seller/buyer whose entire income is exempt.
- The Circular also provides clarity on overlap of TDS on purchases with TDS on e-commerce transactions and TCS on sale.

4. **CBDT issues further guidelines on withholding of taxes for sale and purchase of goods and e-commerce platforms**

- The Finance Act, 2021 (FA 2021) widened the withholding provisions by extending it to buyers on purchase of goods from resident sellers of value exceeding INR5 million during the tax year, subject to certain specified thresholds and exclusions (TDS on purchases). This was in addition to TCS on sales by seller from buyer on receipt of consideration towards sale of goods and TDS on EOP introduced by the Finance Act, 2020 (FA 2020), with effect from 1 October 2020.
- In response to representations received from stakeholders requesting clarifications on various issues relating to the above provisions, the Circular provides the following clarifications for removal of difficulties:
  - EOP shall not be liable to withhold taxes on e-auctions carried out for price discovery through its electronic platform, provided certain conditions are satisfied.
  - In line with the clarification provided earlier in respect of goods and services tax (GST), with respect to indirect taxes other than GST (like value added tax (VAT)/sales tax/excise etc.), which are included in the sale price of goods, if TDS is made at the time of credit of amount in the account of the seller and in terms of the agreement or contract between the buyer and the seller, the component of indirect tax is indicated

separately in the invoice, then TDS is to be made on the amount credited without including such indirect tax. If TDS is made at the time of payment, then TDS on purchases is applicable on the indirect tax component.

- With respect to certain goods (which are covered by a different TCS provision other than the general provision of TCS on sales) which are to be utilized by the buyer, being resident in India, for the purpose of manufacturing, processing or producing articles or things or for the purpose of generation of power (i.e., industrial purposes) and not for trading purpose on which TCS is not applicable in terms of declaration furnished by the buyer, the Circular clarifies that TDS on purchases will be applicable and, accordingly, the buyer will need to do TDS on purchases if other conditions are satisfied.
- With respect to TDS on purchases by government departments (not being a public sector undertaking or corporation), the Circular clarifies that government departments not carrying out any business or commercial activity will not be required to do TDS on purchase since the primary requirement for being considered a "buyer" will not be fulfilled. On the other hand, if a department is carrying on a business/commercial activity, TDS on purchase will apply, subject to satisfaction of other conditions.
- Furthermore, the Circular also clarifies that any other person, such as public sector undertakings or a corporation established under central or state act or any other such body, authority, or entity, are not covered by the exemption above and are required to do TDS on purchases.

5. **CBDT issues guidelines and notifies rules for taxation of receipt of cash or specified assets by partners in connection with reconstitution of firms**

- Pursuant to the revamped scheme of provisions for taxation of dissolution or reconstitution of firm/association of person (AOP)/body of individuals (BOI) (hereafter collectively referred to as "specified entity") introduced in Income Tax Laws (ITL) at the enactment stage of Finance Bill, 2021 (FB 2021), the Central Board of Direct Taxes (CBDT) has, in deference to the powers granted in these provisions, issued guidelines as part of Circular No. 14/2021 dated 2 July 2021 (Guidelines) with the approval of the Central Government to address difficulties arising in giving effect to these provisions.

6. **CBDT issues rule prescribing methodology for determining short term capital gains and written down value for block of intangible asset comprising goodwill**

- The Notification inserts a new rule (Rule 8AC) which provides that where goodwill is the only asset in block of intangible assets on which depreciation is claimed up to 31 March 2020, then the WDV of such block of intangible assets as on 1 April 2020 will need to be reduced by the WDV of goodwill computed as the difference between actual cost of goodwill less depreciation allowable on such goodwill thereby resulting in Nil WDV of block of intangible assets.
- Where goodwill is one of the assets in intangible block, then the WDV of intangible block of asset as on 1 April 2020 needs to be reduced by the standalone WDV of goodwill computed as the difference between actual cost of goodwill and depreciation allowable on such goodwill.
- Where standalone WDV of goodwill is higher than aggregate of opening WDV of entire intangible block of asset as on 1 April 2020 and actual cost of any intangible asset acquired in TY 2020-21, then the excess shall be deemed to be capital gain arising from the transfer of short-term capital asset.
- However, where the block of intangible block of asset comprises of goodwill alone, then any cessation of block of intangible due to reduction of goodwill component will not give rise to capital gains or capital loss.
- While the statutory provision, which empowers CBDT to notify the Rule was enacted by Finance Act, 2021 (FA 2021) with effect from TY 2020-21, the Notification is silent on the effective date of new Rule. The new Rule 8AC is published in Official Gazette on 7 July 2021. Its applicability to TY 2020-21 to which it should intended to apply will be a highly contentious issue since it is not explicitly notified to come into effect from 1 April 2021 onwards.

7. **CBDT exempts return filing requirement for certain non-residents investing in the IFSC in India**

- The CBDT has by way of the Notification exempted certain class/classes of person from the requirement of furnishing a return of income under 139(1) of the Act from assessment year 2021-22 onwards. The Non-residents covered under the said notification inter-alia includes:

- Non-resident unit holders of a specified fund
- Non-resident eligible foreign investor

8. **CBDT exempts eligible foreign investors from the requirement of obtaining PAN**

- CBDT has provided an exemption to eligible foreign investors investing in the specified securities and non-resident investors/ unit holders of Category III Alternative Investment Funds (AIFs) which are set-up in IFSC from the requirement of obtaining a Permanent Account Number (PAN) (i.e., the Indian tax identification number) subject to satisfaction of prescribed conditions.
- The Notification is effective from 4 May 2021.

9. ***CBDT issues guidelines on loans and borrowings taken by sovereign wealth fund/ pension fund for making tax free investments in India***

- Section 10(23FE) of the ITL provides for an exemption to specific entities such as sovereign wealth fund and pension fund of foreign nations on specified sources of income arising from specified investment made in India within a specified period. The said exemption is provided subject to fulfilment of various conditions laid down.
- One of the circumstances in which the specified person is not eligible for exemption is where a specified person has loans or borrowings, directly or indirectly, for the purposes of making investment in India. Prior to the issue of CBDT Circular, there was an ambiguity regarding the meaning of the expression "indirectly" in the above-mentioned circumstance.
- As per CBDT Circular, where loans and borrowings have been taken by the entities eligible for exemption under section 10(23FE) of the ITL as well as their holding entity or any entity in the chain of holding or an associate concern (hereinafter referred to as "group concerns"), with the purpose of making investment into India, such entities shall not be eligible for exemption under the aforementioned section.

10. **India proposes to remove retrospective applicability of indirect transfer provisions**

- Prior to 2012, the issue of taxability of gains arising from transfer of shares of a foreign company deriving substantial value from assets in India (indirect transfer) was a subject matter of intense litigation in India.
- In January 2012, in a landmark judgment, the Indian Supreme Court (SC), in the case of Vodafone BV ruled that transfer of shares of a company incorporated outside India would not be taxable in India.
- However, considering the fact that the verdict of the SC was inconsistent with the legislative intent, Government of India (GoI) introduced certain "clarificatory" changes to the Income Tax Act (ITA) vide Finance Act, 2012 (FA 2012) with retroactive effect from 1 April 1962, to clarify that transfer of shares or interest in a foreign entity would be taxable in India, if such shares derive substantial value from assets located in India.
- The move of the GoI to levy retrospective taxes has been hugely criticized on the grounds that it militated against the objective of GoI to provide tax certainty and damaged India's reputation of an attractive investment destination. The retrospective amendment was considered to be breach of India's obligation under the BIPAs on the basis that India failed to provide stable, predictable and foreseeable tax regime and retroactive amendments are inimical and fundamental affront to the principles of legal certainty.
- In the past few years, GoI has been undertaking major reforms in the financial and infrastructure sector to create a positive environment for the investors. However, the retrospective amendment and the criticism around such amendment continues to be a sore point for the investors.
- Considering the importance and the need to attract foreign investments into India, especially post the economic set back due to COVID-19, GOI has proposed to remove the retrospective effect of the FA 2012 amendment.
- In this regard a bill has been passed in the Lok Sabha (the lower house of Indian parliament) titled "The Taxation Laws (Amendment) Bill, 2021" (Bill) on 6 August 2021. The proposals of the Bill are aimed at achieving the following objectives:
  - No levy of taxes on indirect transfers undertaken prior to 28 May 2012 (specified date)
  - No assessment to be made/no enforcement of tax demand/ no notices to be issued in respect of indirect transfers undertaken prior to the specified date

- Nullification of demand orders already raised/assessment made/ penalty levied in respect of indirect transfers undertaken prior to the specified date on fulfilment of specified conditions (viz. withdrawal of pending litigations)
- Refund of taxes collected pursuant to demand order issued in respect of Indirect transfers undertaken prior to the specified date. However, such refund would be without any interest.
- Amendment of FA 2012 (which provided for the validity of notices/ orders passed in respect of indirect transfers undertaken prior to the specified date) to provide that such notices/ orders shall cease to apply subject to satisfaction of the specified conditions.

11. **India Tax Administration extends applicability of transfer pricing safe harbor rules to financial year 2020-21**
    - A "safe harbor" is defined in the ITL as circumstances under which the tax authorities will accept the transfer price declared by the taxpayer. CBDT first issued transfer pricing safe harbor rules (SHR) on 18 September 2013, applicable for five years from FY 2012-13 to FY 2016-17. The CBDT through notification dated 7 June 2017 amended the SHR, which were applicable for three FYs from FY 2016-17 through FY 2018-19. For FY 2016-17, taxpayers had the option to elect the rule which was more beneficial. On 20 May 2020, the CBDT issued a notification amending the SHR to extend the applicability to FY 2019-20, without any modifications.
    - On 24 September 2021, the CBDT issued a new notification extending the applicability of SHR to FY 2020-21, without any further modifications. Taxpayers opting for SHR for FY 2020-21 would need to file the return of income for the year on or before the date of furnishing the prescribed Form 3CEFA for opting for the SHR. The due date for filing is 28 February 2022.
    - Further, the CBDT has yet to prescribe SHR for attribution of profits to a business connection or permanent establishment (PE) of a nonresident, which was introduced under Finance Act 2020

C] Supreme Court Judgements

1. **SC holds gains arising on transfer of depreciable asset will be qualified as short-term capital gains**
    - In the case of Sakthi Metal Depot (Taxpayer), the issue pending before SC was whether on transfer of a capital asset on which depreciation was claimed and allowed to the Taxpayer for a long period but not used in business subsequently, would qualify as long-term or short-term capital gains under the provisions of the ITL.
    - The ITL has a special provision for computation of capital gains arising on transfer of a depreciable asset. The special provision deems that gains arising on transfer of a depreciable asset shall be short-term capital gains.
    - The Taxpayer claimed depreciation on a flat, as a business asset, for 21 years till tax year 1994-95. The Taxpayer stopped claiming depreciation from tax year 1995-96 and classified the flat as "investment" in its balance sheet. On sale of the flat in 1997-98, the Taxpayer claimed that there was transfer of long-term capital asset resulting in long-term capital gain. The Taxpayer contented that the flat ceased to be a depreciable asset since no depreciation was charged on it from tax year 1995-96 onwards and its nature was changed from business asset to "held as investment". The tax authority held that capital gains on transfer of the flat be considered as short-term capital gains by virtue of the special provision.
    - The SC, on 7 July 2021, upheld the ruling of the Kerala High Court (HC) in which it was held that the flat will retain its character as a depreciable asset even if it was not used for business purposes later on, and no depreciation was claimed thereon. Consistent with the special provision, gains were rightfully held as short-term capital gains

D] Policy Proposals

The Union Budget 2022 offered the following policy proposals:

- The Reserve Bank of India to issue 'digital rupee' backed by blockchain.
- Surety bonds to act as a substitute for bank guarantee in government procurements. IRDAI has given a framework for the issue of surety bonds by insurance companies.

- Scheduled commercial banks to set up 75 digital banking units in 75 districts.
- 1.5 lakhs post offices to connect with core banking system enabling financial inclusion
- The Special Economic Zones Act will be replaced with a new legislation to enhance competitiveness of exports.
- For timely settlement of disputes under international jurisprudence, International Arbitration Centre to be set-up in GIFT city.
- World-class foreign universities and institutions will be allowed in the GIFT City to offer various courses to facilitate availability of high-end human resources for financial services and technology.

Regulatory section:

A] Amendments to Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (NDI Rules)

RBI issued the amendment to NDI Rules on 12 October 2021, wherein the following key changes have been introduced:

Increasing the FDI in telecom sector

- Union Cabinet has, amongst other reforms in the telecom sector, to boost the investment, approved the increase in the FDI in the telecom sector from the existing 49% to 100% under automatic route, subject to all safeguards.
- With this notification, the liberalization of FDI Policy in Telecom sector is effective from October 12, 2021 and henceforth, any foreign investments in the Telecom sector other than from countries sharing land border with India or whose beneficial ownership is in such countries, shall be under automatic route.
- Cases in which foreign investment or beneficial owner of foreign investment, is from a country sharing land border with India (China etc.), shall continue to be under the approval route.

FDI in petroleum and natural gas sector

- Department of Economic Affairs ("DEA"), Ministry of Finance amended the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 ("NDI Rules") for FDI in the petroleum and natural gas sector.
- In terms of the extant regulations, FDI up to 49% is permissible under the automatic route for "Petroleum refining by the public sector undertakings (PSUs), without any disinvestment or dilution of domestic equity in the existing PSUs."
- As per the amendment, in case an 'in-principle' approval for strategic disinvestment of a PSU has been granted by the Government, FDI up to 100 % under the automatic route is permitted.

B] Introduction of Unmanned Aircraft System Rules, 2021 ("UAS Rules")

The final UAS Rules were notified by the Government of India in March 2021, which is the new law governing civil use of drones in India. We have summarized some of the key updates below.

- Applicability: The applicability of the UAS Rules has been extended to all UAS registered in India, even when they are operating outside Indian territory. Further, these provisions shall also apply to all persons seeking to own or possess, or seeking to engage in importing, exporting, manufacturing, trading, leasing, operating, transferring, or maintaining a UAS in India.
- Categorization and Classification of UAS: The UAS Rules categorizes UAS into
  - Aeroplane
  - Rotorcraft
  - Hybrid unmanned aircraft system

  These categories are further sub-categorized as the following:
  - RPAS (i.e., UAS piloted from a remote pilot station)
  - Model RPAS (i.e., UAS operating without payload and used for educational purposes only within visual line of sight)
  - Autonomous Unmanned Aircraft System (i.e., UAS that does not require pilot intervention in the management of the flight)
- Limitations on Foreign Companies: Foreign entities or their majority / wholly owned Indian subsidiaries are restricted to be registered as an Authorized Person.
- Research and Development: The UAS Rules require that research and development of UAS only be conducted by authorized R&D organizations.
- Ownership, Sale and Purchase of UAS: The UAS Rules do not permit any UAS to be used, operated, or transferred in India unless it has been registered with the DGCA and has a certificate of conformance issued either by a UAS Importer or UAS Manufacturer.

- Exemptions under UAS Rules: The Central Government has been given the power to exempt any UAS or class of UAS or any person or class of persons from the operation of the UAS Rules, either wholly or partially, subject to such conditions, if any, as may be specified by the Central Government in a written general or special order.

C] Other key developments

Reserve Bank of India related:

A] RBI Introduces Registration of Factors (Reserve Bank) Regulations, 2022 and the Registration of Assignment of Receivables (Reserve Bank) Regulations, 2022

- To broaden the ambit of companies that can carry out the business of factoring; and (ii) introduce administrative efficacy in the process of assigning receivables as governed by the Act, the Central Government, vide RBI have issued Registration of Factors (Reserve Bank) Regulations, 2022 ("Factor Registration Regulation") and the Registration of Assignment of Receivables (Reserve Bank) Regulations, 2022 ("Assignment Registration Regulation").
- The Factor Registration Regulation prescribed criteria to be satisfied of NBFCs that can undertake factoring business which includes:
    - Such NBFC should not accept or hold public deposits
    - Maintain total assets of at least INR 10,00,00,000 crores as per its last audited balance sheet
    - Maintain a minimum net owned fund of INR 5,00,00,000 (Indian Rupees Five Crores) subject to change at the discretion of the RBI
    - Ensure regulatory compliance
- In the event that a NBFC does not satisfy the eligibility criterion to operate as a NBFC-Factor, it will still have the option at its disposal to undertake the business of factoring as a Non-Banking Financial Company – Investment and Credit Company ("NBFC – ICC").NBFC - ICC can apply to the RBI for conversion from a NBFC-ICC to a NBFC-Factor as long as it ensures that its financial assets comprises at least 50% of its total assets and the income attained from its factoring business comprises at least 50% of its gross income.
- The Government of India has also introduced the Assignment Registration Regulations which seeks to establish a timeline for registering and recording transactions pertaining to the assignment of receivables between a factor and an assignor.

B] RBI amends Foreign Exchange Management (Debt Instruments) Regulation, 2019 for investment by Foreign Portfolio Investors ("FPI")

- RBI has amended Schedule 1 of Foreign Exchange Management (Debt Instruments) Regulations, 2019.
- As per the amended regulations, FPIs have been granted permission to purchase debt securities issued by Infrastructure Investment Trust and Real Estate Investment Trust.

C] Investment in NBFCs from FATF non-compliant jurisdictions

- On 14 June 2021, RBI issued a Notification with respect to investment in Payment System Operators ("PSOs") from FATF non-compliant jurisdictions as under:
- Periodic identification of jurisdictions by FATF with weak measures to combat money laundering and terrorist financing in its following publications:

  (i) High-Risk Jurisdictions subject to a Call for Action; and

  (ii) Jurisdictions under Increased Monitoring.
- A FATF compliant jurisdiction is one whose name does not appear in any of the above-mentioned lists.
- Investments from FATF compliant jurisdiction: Investments in PSOs from FATF non-compliant jurisdiction would not be treated at par with that from the FATF compliant jurisdiction.

- Investments from non-compliant FATF jurisdiction:

Existing investments in PSOs	Investments prior to the classification of the source or intermediate jurisdiction(s) as FATF non-compliant jurisdiction, may (i) continue with the investments; or (ii) bring in additional investments as per extant regulations to support continuity of business in India.
New investments in PSOs; or application for new registration	New investors from or through FATF non-compliant jurisdictions, whether in existing PSOs or in entities seeking authorization as PSOs, should **NOT be allowed to acquire 'significant influence' directly or indirectly in the investee**, as defined in the applicable accounting standards. In other words, fresh investors (directly or indirectly) from FATF non-compliant jurisdictions in aggregate should be less than the threshold of 20% of the voting power (including potential voting power*) of the PSOs.

**Potential voting power could arise from instruments that are convertible into equity, other instruments with contingent voting rights, contractual arrangements, etc. that grant investors voting rights (including contingent voting rights) in the future. In such cases, it should be ensured that new investments from FATF non-compliant jurisdictions are less than both (a) 20% of the existing voting powers; and (b) 20% of existing and potential voting powers assuming those potential voting rights have materialized.*

Securities and Exchange Board of India ('SEBI') related:

A] Amendment to SECC Regulations, 2018

The Securities Contracts (Regulations) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ("SECC Regulations") were introduced by SEBI for the purposes of regulating recognition, ownership and governance in stock exchanges and clearing corporations. Accordingly, all the investments into the National Stock Exchange ("NSE"), the Bombay Stock Exchange ("BSE") and the Multi Commodity Exchange ("MCX") are governed by the SECC Regulations.

On 13 August 2021, SEBI has issued Securities Contracts (Regulations) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2021 ("Amendment Regulations") for the purposes of amending the SECC Regulations.

Key highlights of the amendment are as under:

- As per Regulation 19(1) of the SECC Regulations, a key eligibility criterion for persons desirous of holding or acquiring shares or voting rights in a recognized stock exchange or clearing corporation is that such person must satisfy the 'fit and proper person' parameter prescribed under Regulation 20(2)1 of the SECC Regulations.
- However, second proviso to Regulation 19(1) provides an exemption from satisfying such requirement to a person holding or acquiring, directly or indirectly, less than 2% equity shares or voting rights of a 'listed' recognized stock exchange.
- Vide this amendment, SEBI has expanded the scope of the exemption even to an 'unlisted' stock exchange.

B] SEBI Releases AIF (Second Amendment) Regulations, 2021 and AIF (Third Amendment) Regulations, 2021

SEBI released the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2021 ("Second Amendment Regulations"). The Second Amendment Regulations are in furtherance of SEBI's board meeting, dated March 25, 2021 ("Board Meeting") where certain amendments were proposed to SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations").

- A summary of the changes introduced by the Amendment Regulations is provided below:

- "Start-up" has been defined to mean an entity which fulfils the criteria for start-up as specified by the Department for Promotion of Industry and Internal Trade ("DPIIT").
- "Venture capital undertaking" has been defined as domestic company which is not listed on a recognized stock exchange at the time of making investments.
- Angel funds, as a sub-category of a Venture Capital Fund under Category I AIF, are now

eligible to invest in Start-ups, rather than VCUs as earlier described under Regulation 19F (1) of the AIF Regulations. This amendment broadens the investment horizon of angel funds as now these funds can invest in an entity which, inter alia, (a) has not crossed 10 years and (b) whose turnover has not exceeded INR 100 crores in any of the financial years, beginning from the date of such entity's incorporation or registration.

    - The scope of the definition of Venture Capital Undertaking ("VCU") has been broadened for Category I AIFs by removal of the list of restricted activities in the definition of a VCU. This should enable Category I AIFs to now allocate monies towards NBFCs which was earlier prohibited.
    - AIFs have been permitted to invest in an investee company, directly or through other AIFs, subject to diversification limits of (a) 25% (of investible funds) for Category I and II AIFs; and (b) 10% (of investible funds) of Category III AIFs.
    - AIFs which are authorized under the fund documents to invest in units of Alternative Investment Funds shall not offer their units for subscription to other Alternative Investment Funds.
    - Alternative Investment Fund shall not invest except with the approval of seventy five percent of investors by value of their investment in the Alternative Investment Fund in - (a) associates; or (b) units of Alternative Investment Funds managed or sponsored by its Manager, Sponsor or associates of its Manager or Sponsor.
- SEBI has released the SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2021 ("Third Amendment Regulations") on August 03, 2021. The amendment introduces the criteria for certain investors in an AIF to be identified as Accredited Investors ("AIs").
    - Accredited agency means a subsidiary of a recognized stock exchange or a subsidiary of a depository or any other entity as may be specified by the Board from time to time.
    - Accredited Investors means is any person who is granted a certificate of accreditation by an accreditation agency. The Amendment Regulations provide certain financial parameters which need to be satisfied to grant the AI status to resident Indians.
    - The Amendment Regulations provide a deemed AI status to (i) Central and State Governments; (ii) any developmental agencies set up under the aegis of the Central and State Governments; (iii) any funds set up by the Central Government or the State Governments; (iv) qualified institutional buyers4; (v) Category I Foreign Portfolio Investors; (vi) sovereign wealth funds; and (vii) multilateral agencies and any other entity as may be specified by SEBI. Since these entities are deemed to be AI, it is not incumbent on them to obtain any certification of accreditation from an AA.
    - Large Value Fund for accredited investors" means an AIF or scheme of an AIF in which each investor (other than the Manager, Sponsor, employees or directors of the AIF or employees or directors of the Manager) is an accredited investor and invests not less than Rs. 70 crores.
- As required under SEBI (Alternative Investment Funds) Regulations, 2012, as amended and SEBI circular dated October 21, 2021 pertaining to modalities for filing the placement memorandum through the merchant banker, the placement memorandum of the Fund is required be filed through a SEBI registered merchant banker.
- Ernst & Young Merchant Banking Services LLP is a SEBI registered Category I Merchant Banker

C] The Securities and Exchange Board of India ('SEBI') has notified Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ('SBEBSE Regulations' or 'New Regulations') on 13 August 2021.

- These regulations have merged the erstwhile SEBI (Issue of Sweat Equity) Regulations, 2002 ("Sweat Equity Regulations") and SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations"), into a single Regulation.
- Some of the key changes implemented in the New Regulations are as under:
    - Change in the definition of "employee"
    - Coverage of employees of Group companies including Associate company
    - Option for companies to change the manner of administration from direct route to trust route and vice versa, subject to conditions
    - Increase in time limit for appropriation of shares acquired by the trust under secondary acquisition
    - Relaxation to vesting conditions and lock-requirements in specific circumstances

Regulations issued by International Financial Services Centres Authority ("IFSCA")

A] Regulations on issue and listing of securities in IFSC

- The IFSCA has issued regulations on issue and listing of the securities in the IFSC in India (Regulation).
- The Regulation inter alia provides a framework on the following aspects:
  - Public offer of Specifies securities [IPO and FPO]
  - Listing of Start-up and SME companies
  - Secondary listing of Securities
  - Listing of Special Purpose Acquisition Companies (SPACs)
  - Listing of Depository Receipts
  - Listing of Debt Securities
  - Listing of Environment, Social and Governance (ESG) Debt Securities
- The Regulation were issued on 16 July 2021.

B] Framework for undertaking Global/ Regional Corporate Treasury activities by Finance Company/ Financial Unit in IFSC

- The International Financial Services Centres Authority (IFSCA) has issued a framework for undertaking Global/ Regional Corporate Treasury Centres activities by Finance companies (FCs)/ Finance units (FUs) in an IFSC in India (Framework).
- The Framework is aimed at allowing the FCs/ FUs in an IFSC in India to undertake permitted treasury activities and provide permitted treasury services to its group entities.
- The Circular providing the Framework was issued on 25 June 2021.

Glossary of acronyms

1. ADIA - Abu Dhabi Investment Authority
2. AIFs - Alternate Investment Funds
3. AMT - Alternative Minimum Tax
4. AOP - Association of Persons
5. API - Active Pharmaceutical Ingredient
6. AUM - Assets under management
7. AY - Assessment Year
8. B2B - Business-to-Business
9. B2C - Business-to-Consumer
10. BNPL - Buy Now Pay Later
11. BOI - Body of Individuals
12. CBDT - Central Board of Direct Taxes
13. CDMO - Contract Development and Manufacturing Organization
14. CDPQ - Caisse de dépôt et placement du Québec
15. CPPIB - Canada Pension Plan Investment Board
16. CRO - Contract Research Organization
17. D2C - Direct to Consumer
18. DGCA - Directorate General of Civil Aviation
19. DIPP - Department of Industrial Policy and Promotion
20. DPIIT - Department for Promotion of Industry and Internal Trade
21. DRHP - Draft Red Herring Prospectus
22. DTAA - Double Taxation Avoidance Agreement
23. EMEA - Europe, the Middle East and Africa
24. EPC - Engineering, Procurement and Construction
25. FDI - Foreign Direct Investment
26. ESG - Environmental, Social, and Corporate Governance
27. EV - Electric vehicles
28. FAQ - Frequently asked questions
29. FATF - Financial Action Task Force
30. FDI - Foreign Direct Investment
31. FII - Foreign Institutional Investment
32. FPI - Foreign Portfolio Investment
33. GAAR - General anti avoidance rule
34. GFC - Global financial crisis
35. GIC - GIC Private Limited
36. GIP - Global Infrastructure Partners
37. GoI - Government of India
38. GP - General partner
39. GST - Goods and services tax
40. IFC - International Finance Corporation
41. IFCI - Industrial Finance Corporation of India
42. IFSC - International Financial Services Centre

43. InvIT - Infrastructure investment trust
44. IPO - Initial public offering
45. IT/ITES - Information Technology / Information Technology Enabled Services
46. ITL - Income Tax Law
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. MFN - Most Favoured Nation
54. MOPE - Motilal Oswal Private Equity
55. MSME - Micro, Small and Medium Enterprises
56. NATO - The North Atlantic Treaty Organization
57. NBFC - Non Banking Financial Company
58. NDI - Non-Debt Instrument
59. NHAI - National Highway Authority of India
60. NIIF - National Investment and Infrastructure Fund
61. NPA - Non-performing Asset
62. OECD - Organisation for Economic Co-operation and Development
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. POS - Payment System Operator
71. PSP - Public Sector Pension Investment Board
72. QIP - Qualified Institutional Placement
73. QIA - Qatar Investment Authority
74. RBI - Reserve Bank of India
75. RE - Real estate
76. REIT - Real estate investment trust
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. SECC - Stock Exchanges and Clearing Corporation
82. SPAC - Special purpose acquisition company
83. SKU - Stock keeping unit
84. SWF - Sovereign wealth fund
85. TCS - Tax collected at source
86. TDICI - Technology Development and Information Company of India
87. TDS - Tax deducted at source
88. VDA - Virtual Digital Asset
89. UAS - Unmanned Aircraft System
90. WDV - Written down value

Appendices

About EY's Private Equity Services

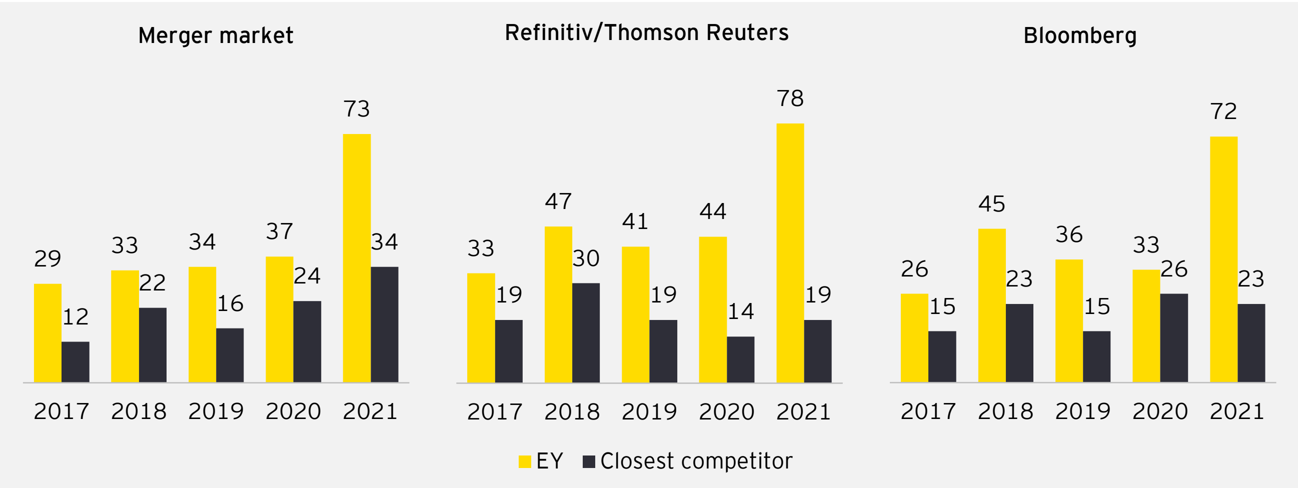
EY has been working with the private equity industry for more than 25 years, with approximately 25,000 seasoned professionals worldwide dedicated to the industry and its business issues. EY serves 74% of the top 300 PE firms included in the Global PEI 300 firms list. Private equity firms, portfolio companies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

In India, EY is among the leading providers of advisory, tax, transactions, and assurance services. The organization was ranked as the number one professional services brand for strategy and transaction services in India in 2019*, which is a testimony to our relentless commitment to deliver exceptional client service and create a better working world. EY has offices spread across 11 cities in India. Worldwide, our 270,000+ people across 150+ countries and 700+ cities are united by our shared values and their unwavering commitment to quality.

- EY's India Private Equity Services Practice has been among the top advisors for private equity deals over the past ten years. EY has been awarded the "Most Active Transaction Advisor" award by Venture Intelligence for 2009-2013 and also the "Investment Bank of the Year, Private Equity" award by VC Circle in 2012, 2017 and 2020 as well as for M&A in 2018.
- EY's India Private Equity Services Practice provides value to PE funds and their portfolio companies through its deep sector and service expertise. EY India is organized around key industry verticals in a matrix structure that enables us to offer an unparalleled blend of industry expertise and functional skills. We actively track about 15 sectors with sector leads driving our penetration in each of those sectors.

Exhibit 130

EY has been ranked as #1 Financial Advisor for almost two decades across Mergermarket, Thomson Reuters and Bloomberg. Our position as the foremost M&A advisor in the Indian mid-market enables us to create a robust deal origination pipeline for our PE/VC clients, acting as the tip of the spear of what is India's dominant PE Services practice.**



** as per Global Brand Survey, conducted by an independent research agency **Ipsos***

*** for most number of deals*

- # 1 advisor on deal count in Financial advisory league tables across databases
- Consistently maintaining a significant lead from closest compete
- Adjudged as the Investment Bank of the Year - PE, 2020 by VCCircle

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

Exhibit 131

GP / LP Services

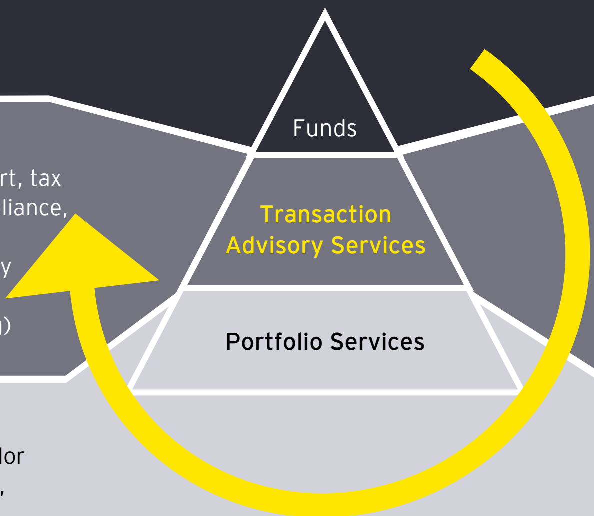
(Tax Structuring, Operating Model decisions, Regulatory Navigation)

Fund Raising

(Marketing collateral, fund structuring, audit of fund performance)

Fund assurance and management

(Fund and fund management company audit, portfolio valuation, controls and process design and review, tax and regulatory compliance)



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)

Buyside support

(Due diligence - financial, tax, business and commercial, forensics and background, HR, IT and environmental, modeling and valuations)

Exit readiness

(IPO, GAAP conversion, vendor due diligence, value creation, investor relations, exit preparation, sale mandates, exit structuring)

Tax and Legal

(Tax advisory, tax accounting, 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)

Assurance

(Statutory audit, tax compliance, risk management, corporate governance advisory, internal audits and fraud reviews)

Transition

(PMO, 100-days plan, transaction Integration, GAAP conversion, governance, controls assessment, MIS development, process advisory, standard operating procedures, CFO services and compliance manager)

Value Creation

(Operational turnaround, Performance Improvement, Portfolio Value Creation)

Growth

(Strategic options, technology security, IT strategy, operational improvement, 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 132

Operating model and automation

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.

Global compliance and reporting

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.

Deal origination

The intense competition for a limited number of deals raises stakes to win for private equity 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

Private equity 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.

Value creation

Private equity 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.

Exit readiness and IPO

Private equity 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 133

Focused advisory solutions for private equity 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 modelling, executive decision making, merger 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's why we've 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).
Cyber security	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.

Contacts

Private Equity Services Practice

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

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

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

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

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

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

Strategy and Transactions (SaT)

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

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

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

Neeraj Mohan
Partner and Head
EY Parthenon India
E: Neeraj.Mohan@parthenon.ey.com

Research and Insights

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

Brand, Marketing and Communications

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

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

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.

Contacts

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

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

IVCA
IVC ASSOCIATION
THE INDIAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION
PROMOTING PRIVATE CAPITAL ECOSYSTEM

Ernst & Young LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at 22 Camac Street, 3rd Floor, Block C, Kolkata - 700016

EYIN2203-003
ED None

AJ