India Private Equity Report 2023

Trial by fire: Indian PE ecosystem stays resilient in a globally challenging year.

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Executive summary

The year 2022 saw a global tempering of the peak activity witnessed in 2021, triggered by tightening monetary policies across American and European markets as economies emerged from a Covid-19-induced suppression in economic activity. Countries coped with high inflationary pressures on the back of an extended loan moratorium, Covid-19 stimulus, and supply-demand gaps. These gaps were exacerbated by the mounting geopolitical tensions (Russia-Ukraine conflict, US-China decoupling), which led to trade sanctions and global shortages. Resulting market volatilities cast a shadow over global private equity and venture capital (PE-VC) activity, with investments declining by 15% to 30% across regions. Indian PE-VC investments surpassed $60 billion for a third time, as India demonstrated some resilience in the face of global headwinds. Investment value closed at $61.6 billion, with a moderate decline of 12% from 2021's peak of $69.8 billion, supported by a positive economic outlook, driven by structural enablers such as large consumption opportunity, improved digital infrastructure, and China + 1 tailwinds. Amid a significant contraction in the region, India's share of PE-VC investments in Asia-Pacific strengthened from less than 15% to approximately 20%.

Indian PE-VC activity rode the momentum seen in H2 2021 till H1 2022, which saw dealmaking of close to $83 billion in 12 months. The exuberance at the start of the year, with record dealmaking of close to $40 billion in the first 6 months, was followed by decelerating deal activity closing at $21 billion. Different trends impacting distinct sectors show a clear rationale for these developments. Traditional sectors such as banking, financial services, and insurance (BFSI), energy, healthcare, and manufacturing, grew by approximately 50% due to robust domestic demand and accounted for around 60% of deals greater than $100 million. In contrast, the boom in consumer tech and internet stocks riding on Covid-driven shifts in consumption slowed through the year, accompanied by a public market rout in tech stocks that challenged valuations. The latter half of the year saw public market valuations spilling into the private markets, making dealmaking more challenging as the gap in valuation expectations slowed investment activity. As a result, consumer tech and information technology (IT), which drove around 60% of deal value in 2021, contracted to ~30% in 2022.

On aggregate, the expansive base of deal volume of 2021 was sustained this year with more than 2,000 deals, as small and mid-sized deal activity continued. Venture capital and growth equity continued to contribute significantly to deal volume with almost 90% of deals, albeit with reduced cheque sizes. Share of VC investments slowed from 2021's seminal annual value of $39 billion to $26 billion in 2022 (55% to 43%)—but retained the breakout compared to pre-Covid era deal values of approximately $10 to $12 billion a year. PE deal value stayed relatively robust with lower volumes. There was a shift in the contribution of megadeals as $1 billion investments slowed, with buyouts slowing significantly amidst tighter credit markets and mismatched valuations delaying deal closures. Exits followed a similar decline, slowing to $24 billion from an all-time high of $36 billion in 2021. Here as well, traditional sectors dominated the share of exits greater than $100 million, with healthcare and manufacturing showing the largest increase in exit value. The exuberance around new-age internet start-up listings waned as initial public offerings (IPOs) of 2021 didn't meet public market expectations—cascading into delays and eventual cancellations of many planned IPOs of consumer tech firms, such as OYO, MobiKwik, PharmEasy, BoAt, and others. However, IPOs of traditional sectors continued, with listings such as Rainbow Hospitals and Medanta Medicity outperforming the market index. In an interesting contrast, the buoyancy in the Indian stock markets (with Nifty reaching its all-time high in November) allowed traditional sectors to find support and enabled strong exit opportunities in follow-on public market exits. Secondary markets dampened towards the second half of the year after 12 months of heated activity.

Dry powder for private equity surged on the back of a flurry of fund-raises following 2021's activity. General partners (GPs) closed fresh rounds in record time and were flush with funds as limited partners (LPs) dedicated capital to chase growth opportunities, with Indian allocations of Asia-Pacific funds by top GPs increasing. Leading Indian GPs, such as Kedaara Capital and ChrysCapital, increasingly competing with global counterparts on large deals, crossed $1 billion in new fund-raises. Additionally, LPs and sovereign wealth funds (SWFs) have demonstrated a marked shift towards solo dealmaking from their earlier co-investing playbook. With mature LPs deepening play in the Indian markets and newer LPs setting up dedicated teams and offices, solo dealmaking by select LPs expanded to 30+ deals with investments worth approximately $6 billion. Investors also accelerated sector diversification this year with more funds expanding into traditional sectors such as healthcare, BFSI, energy, and manufacturing, overriding a continued trend of tech sector expansion in the previous 3 years. At the same time, amidst abundant dry powder, funds became increasingly conservative and judicious as the sentiment shifted through the year—focus has narrowed to fewer, quality assets and towards driving value creation within their portfolios with a dedicated focus on profitability.

BFSI, which experienced a slump due to Covid-19, lower growth, extended loan moratoriums, and an increased risk of default, is witnessing a resurgence in interest. BFSI, including fintech, saw investments of $9.7 billion, with the sectors commanding 18% of India's PE-VC investments. India's outstanding credit has doubled since 2014 to reach $2 trillion, driven by increasing consumption (with a growing middle class), low credit penetration today, increasing openness to credit including for discretionary expenses, and digital adoption accelerating financial access. Non-banking financial companies (NBFCs) are at the forefront of the growing opportunity and have expanded their market share from ~21% in 2014 to ~27% in 2022, focused on growing segments such as personal loans, consumer durables, and two/three-wheeler (2W/3W) finance. They have increased presence in rural markets, developed seamless user journeys, driven quicker disbursements leveraging alternate data, and established robust collection processes—taking away share from public sector banks. Fintech has also experienced sustained deal momentum amidst evolving regulatory changes, with multiple players capitalising on the tailwinds and innovations within lending and wealthtech.

Investors are increasingly looking at India's healthcare sector for secular returns amidst turbulent tides, with an increase in interest in health providers, pharma, diagnostics, and single-specialty providers since 2020. India's healthcare sector saw deal values reach $4.3 billion in 2022, at approximately 8% of total investments. However, 2022 was a year where healthcare delivered, expanding to nearly 16% of total exit value at $3.5 billion. In a year that saw marquee public market exits, IPOs, and secondary sales, KKR's exit from Max Healthcare grabbed headlines with an exit value of $1.6 billion in 4 years driven by a significant EBITDA expansion, followed by other large exits such as Everstone's exit from Sahyadri Hospitals and Carlyle's and British International Investment's IPOs of Medanta Medicity (Global Health) and Rainbow Hospitals. Healthcare providers continue to focus on growth led by scale expansion through consolidation by large players and brownfield expansion, increased specialisation in service mix, and cost optimisation initiatives, which have resulted in high average revenue per occupied bed (ARPOB), improved utilisation, and increased margins. With robust and streamlined models emerging out of Covid, listed health providers have generated two to three times the returns of the Nifty index in recent years.

This year also witnessed an accelerated pace of ESG-driven investing, which shifted from mind-share towards wallet-share. With environmental, social, and governance (ESG) investments more than doubling from $3 billion to $8 billion, the share of ESG has elevated from 5% to 13% of total PE-VC investments in a single year. India has seen close to $19 billion in ESG-aligned investments in the last 5 years, with clean energy driving more than 60% share at $12 billion, and electric vehicle (EV) manufacturers commanding around 20%. The year 2022 saw marquee deals such as Mubadala and Blackrock's investment in Tata Power, KKR's investments in Serentica Global and Hero Future Energies, and TPG Rise in Tata EV. Players like Actis, British International Investment, and OTPP are also expanding clean energy and EV play as part of their focus on responsible investing. Clean energy saw robust deal activity in 2022, as improved efficiency, climate agenda (COP27 accord—2022 UN Climate Change Conference) and government's focus on utilities-scale investments improved the cost competitiveness of renewables. The EV segment has also seen increasing deal traction with total deal activity of close to $4.2 billion and 10 deals of more than $50 million over the past 5 years. With ESG becoming more central to investors' value creation and exit plans, improved ESG traction is here to stay.

Looking back, India's private equity industry has evolved significantly, with a broadened investor base that quadrupled from 200 to 800 active investors since early 2010s, diverse pools of capital, and acceleration in buyout capital for quality assets. The industry has benefited from a supportive regulatory landscape, innovative digital infrastructure, and deepening maturity of founders and talent. This has enabled tremendous growth in exit opportunities, complemented by the growth in strategic sales and secondary markets, resulting in value capture of 10x to 20x for multiple investors across investment cycles since the 2010s. The recalibration of 2022, characterised by cautious capital deployment and a shift in the shape of deal flow after a watershed year in 2021 is likely to extend into 2023. Domestic consumption-led sectors such as healthcare and consumer/retail will sustain momentum, manufacturing will benefit from China + 1 tailwinds, and export-oriented IT and software as a service (SaaS) will stay resilient. In addition, regulatory changes and investor focus on unit economics are likely to contribute to clearer sector landscapes and better articulation of value roadmaps. Indian private equity, bolstered by a maturing ecosystem, demonstrates confidence and resilience to navigate the turbulence ahead and continue its accelerating flywheel of growth.

Figure 1: Reflections on the year

Investments

Deal activity softened as the PE-VC markets emerged out of a decadal high in 2021 driven by a confluence of global macro headwinds—decline witnessed especially in new-age tech sectors; H2 saw a significant decline, while H1 deal values saw 1.5x growth

Fund-raising

Fund-raising momentum stayed strong with large corpus raised in record time across multiple funds leading to dry powder buildup; this was partly driven by LP commitments from a more investment-friendly ecosystem of 2021

Exits

Softening of pace across all modes as valuations took a hit—sharp decline in IPOs as multiple companies deferred plans following tepid performance of listings from last year, fewer secondary exits as investors shifted attention to value creation amidst caution in capital deployment

Outlook

2023 is likely to be a year of cautious optimism with select sectors sustaining momentum in investments (e.g., sectors with tailwinds from domestic consumption, China + 1, and longer-term export-oriented sectors); investors to retain focus on unit economics and value creation

Source: Bain & Company

Figure 2: 2022 witnessed material PE-VC investments despite multiple shifts in the landscape driven by global macro uncertainties

India PE-VC activity declined to $61B, material vis-à-vis pre-Covid-19

In line with global PE-VC slowdown, India deal flow declined to ~0.9x of 2021 value from $69.8B to $61.6B; slowdown was driven largely by caution over H2 2022 (H1 2022 saw a 1.5x jump in deal value over H1 2021)

Share of India in APAC PE-VC investments grew by 5 pps.

India share of PE-VC investments in APAC grew by ~5 pps. as long-term economic outlook stayed positive, led by structural enablers (e.g., consumption growth, payments infrastructure like UPI, OCEN) and furthered by China + 1 tailwinds

Sustained deal volume driven by small ticket-size deals

The deal volume remained stable at ~2,000—the mix shifted to small-size deals (<$100M) contributing to ~30% of total deal value compared to ~25% in 2021; megadeals ($1B+) dipped from 8 to 3 over 2021–22

Traditional sectors grew, while consumer tech declined

Traditional sectors (BFSI, consumer/ retail, healthcare, manufacturing, etc.) demonstrated resilience and grew to 1.4x of 2021 value driven by persistent India consumption; consumer tech saw a material decline of 0.6x over 2021–22 with questions on business models and sustainable unit economics

BFSI continued to grow on the back of lending

BFSI maintained deal value relative to 2021 at $9.7B—with sustained demand for lending—enabled by robust NBFC value proposition (targeting MSMEs, rural, with investments across value chain) and innovative models in fintech (with seamless customer experience, superior underwriting, and collections)

Healthcare saw marquee provider exits

Healthcare provider exits' value grew by ~2.5x marked by marquee exits (KKR—Max exit: $1.6B; British International Investment—Rainbow Hospitals exit: $236M), high MOICs driven by value creation post Covid-19 (e.g., cost optimisation, mix shift to high ARPOB offerings, bed expansion)

ESG-themed PE-VC investments grew by ~2.4x

Inflection point for ESG as deal value and volume grew by ~2.4x and ~1.7x, respectively, led by clean energy and EV investments; increasing cost competitiveness from policy tailwinds and supply side innovation drove investor interest

Sharp dip in buyout activity especially in IT/ITeS sector

Dampened buyout activity as deal value declined to ~0.7x of 2021 value, with stark fall in share of IT/ITeS from ~65% to ~10% over 2021–22; key factors include valuation mismatch leading to delay in closing/halt of processes and high cost of credit for partially debt-financed buyouts

Decline in exits across all modes, sharp dip in IPO activity

Exits declined from ~$36B to ~$24B over 2021–22 across all modes, share of IPOs in public market exits declined sharply from ~72% to ~15% over 2021–22 in favour of stock market trades, especially in traditional sectors

Strong fund-raising momentum, partly led by 2021 commitments

Multiple investors surpassed corpus and time-to-close for previous funds (e.g., ChrysCapital's 9th fund at $1.4B, ~50% higher than previous and closed in 4 months, Baring Asia's 8th fund at ~$11B, ~70% higher than previous and closed in 10 months), partly led by LP commitments from 2021

Rise in LP confidence in India corporate ecosystem

With deeper confidence in India Inc. and market understanding, solo activity by LPs, SWFs, and pension funds continued to rise in a shift away from co-invest (45% of all deals by LPs, SWFs, and pension funds were solo, compared to 28% in 2021)

Growing investor focus on value creation

Dedicated portfolio teams within funds with sector and functional expertise are becoming mainstream

Source: Bain & Company

Dealmaking and exits: A year of reckoning

- 2022 was a year of recalibration for PE-VC investments in India, declining from the record highs of $70 billion in 2021 to $62 billion in 2022 amid global headwinds. Structural enablers helped India surpass $60 billion in investments for a third time in a demonstration of resilience.

- India's share of Asia-Pacific grew from ~15% to ~20% in a single year, as China + 1 tailwinds and India's macro robustness made the country a bright spot for investing amidst decelerating capital flow in the region.

- Like other major economies, Indian PE-VC activity was a tale of two halves through the year—shifting from record dealmaking of $40 billion in the first half to a dip in deal value to $21 billion in the second half, marked largely by a drawdown in VC cheque sizes and a shift in the deal mix.

- The year saw sustained deal volumes with small-sized deals (less than $100 million) contributing a larger share of overall deal flow (from 24% to 31%). Blockbuster deals (greater than $1 billion) in VC and private equity buyouts saw significant deceleration.

- IT/ITeS buyouts, commanding a share of $10 billion of the all-time high in buyout value of $16 billion in 2021, contracted as multiple IT sector deals failed to close due to a mismatch in valuations. The increasing cost of credit and rise in hedging costs also put a damper on buy-out activity.

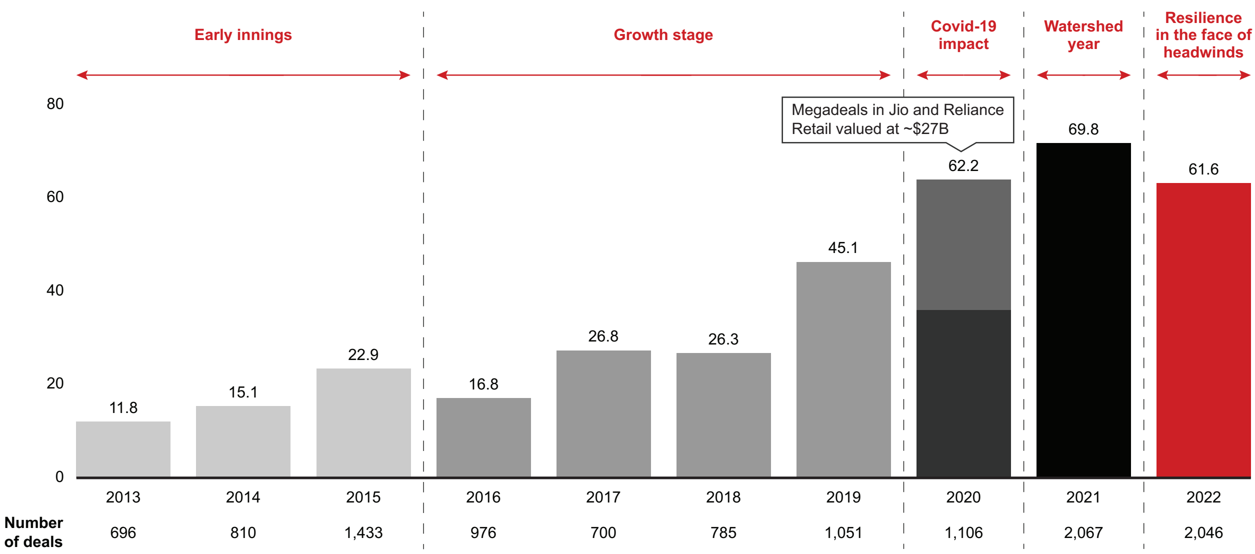
- Traditional sectors like BFSI, energy, healthcare, and manufacturing grew by around 50% in 2022 due to robust domestic demand. Consumer tech faced challenges amidst uncertainty in business models and unit economics while IT/ITeS (IT Services) faced challenges in export demand driven by an uncertain global environment, with investment value in the sectors declining by 60% to 70%.

- Exit activity slowed in 2022 to $24 billion across all modes of exit after an all-time high of $36 billion in 2021, but surpassed activity seen pre-2021. Traditional sectors dominated the share of exits greater than $100 million, with healthcare and manufacturing showing the largest increase in exit value.

- Secondary sales volume declined by around 35% over 2021 to 2022, and the public market exit route through IPOs came to a halt, as many companies deferred listings with 2021's new-age internet start-up listings underperforming on the public markets. However, traditional sectors saw an expansion in follow-on public market sales amidst a buoyant public market.

Figure 3: Indian PE-VC activity slowed down from the peak of 2021 in a challenging year but surpassed $60 billion for the third year in a row

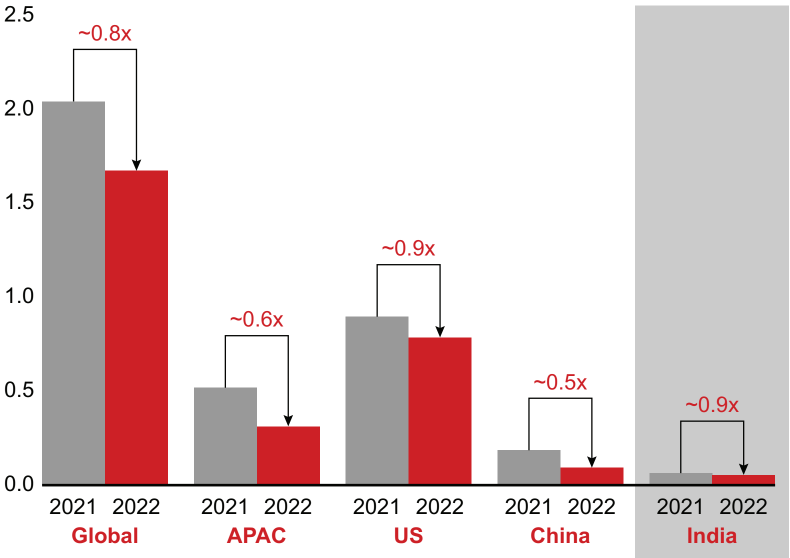
Annual PE-VC investments in India ($B)



Notes: Includes RE and infra, private investment in public equity (PIPE) and venture capital (VC) deals; Deals with undisclosed values are included in the count of deals
Source: Bain & Company

Figure 4a: Global PE-VC investments saw a decline in 2022 led by mounting macroeconomic uncertainties; investments in India also declined, albeit less sharply

Overview of global PE-VC investments ($T)



Global macroeconomic uncertainties dampening investment sentiment

Tightening monetary policies, after an extended rate moratorium and Covid-19 stimulus, pulled the plug on capital access across markets—2.5 pps. + interest rate hikes across the US, UK, and Europe

Intensifying geopolitical tensions (e.g., Russia-Ukraine conflict, US-China decoupling) disrupted food/energy supply chains and exacerbated inflation

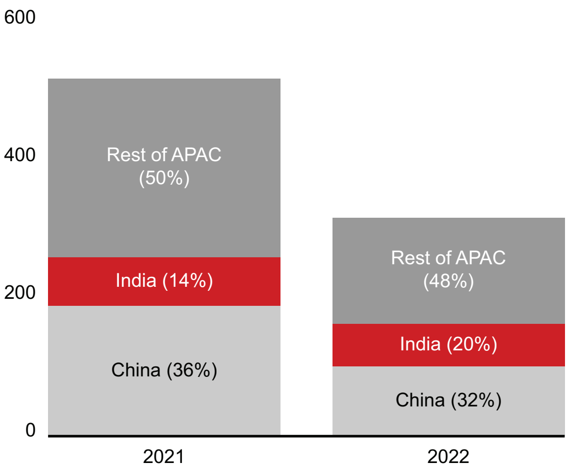
Additional supply chain shocks from Covid-19 led shutdowns and trade sanctions by the US/Europe widened the rift between demand and supply (e.g., semiconductors) fueling recessionary fears

Note: pps.: percentage points
Sources: Pitchbook; AVCJ; Bain & Company

Figure 4b: APAC witnessed significant pullback, but India's share of PE-VC investments in the region strengthened further

India's share in APAC PE-VC has risen …

APAC PE-VC investments ($B)
(split by geo)



… driven by robust macroeconomic fundamentals and China + 1 tailwinds

Structural enablers in India lead to positive economic outlook
Robust growth prospects led by large consumption potential on the back of expanding middle class (~370M) and share of working age population (900M+), scale adoption of digital rails (e.g., UPI, OCEN), and effective fiscal and monetary policy discipline limiting inflationary growth (within RBI hurdle rate of 6%)

China + 1 tailwinds
Covid-19 led disruptions in production in China, escalating US-China decoupling and the wave of diversification as global firms look to de-risk sourcing and supply chain exposure; combined with favourable policies such as corporate tax cuts, PLIs in India are driving shift in economic activity to India, especially in categories such as electronics, textiles, and pharma

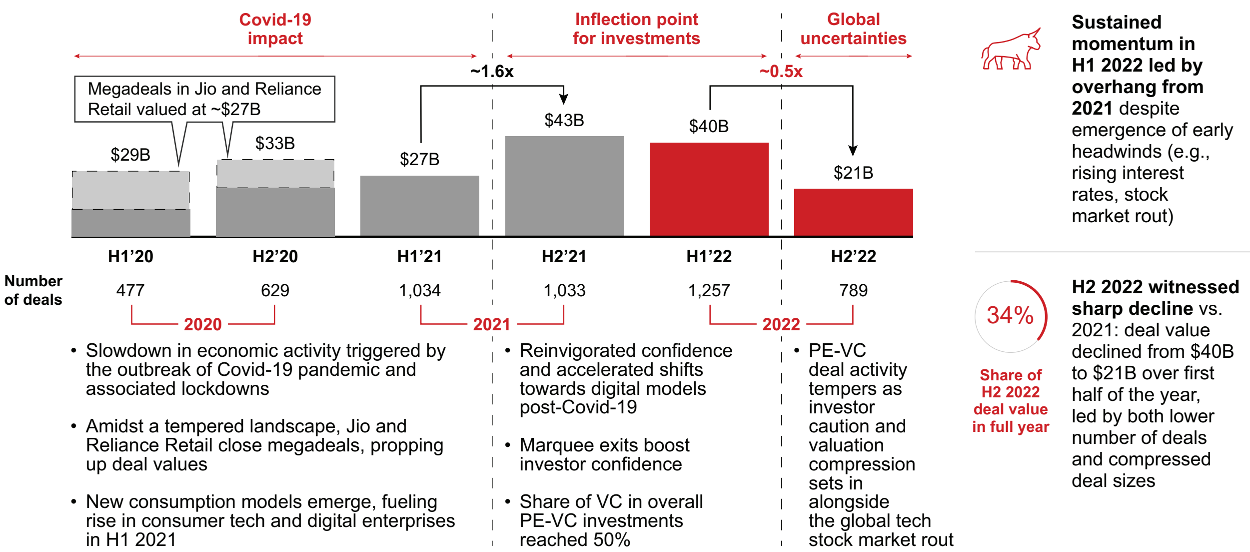
Trickle down of macroeconomic uncertainty in the region
Macro headwinds impacted most of the countries in the region (e.g., high interest rates and weak domestic currency limiting capital deployment in Korea) in addition to some structural challenges (e.g., ageing population in Japan); however, some bright spots were seen (e.g., early-stage deals in ANZ, global capital inflow into Japan)

Notes: Working age population between age 15–64; Middle class refers to population falling under $4K–$40K income segment; UPI: Unified Payments Interface; OCEN: Open Credit Enablement Network; PLI: Production-linked incentives; ANZ: Australia and New Zealand; RBI: Reserve Bank of India
Sources: Pitchbook; AVCJ; Bain & Company

Figure 5: A nuanced look reveals slowing momentum from H2 2022 onwards—deal value and volume reduced in H2 2022 vs. H1 2022

PE-VC investments in India ($B)
(half-yearly)

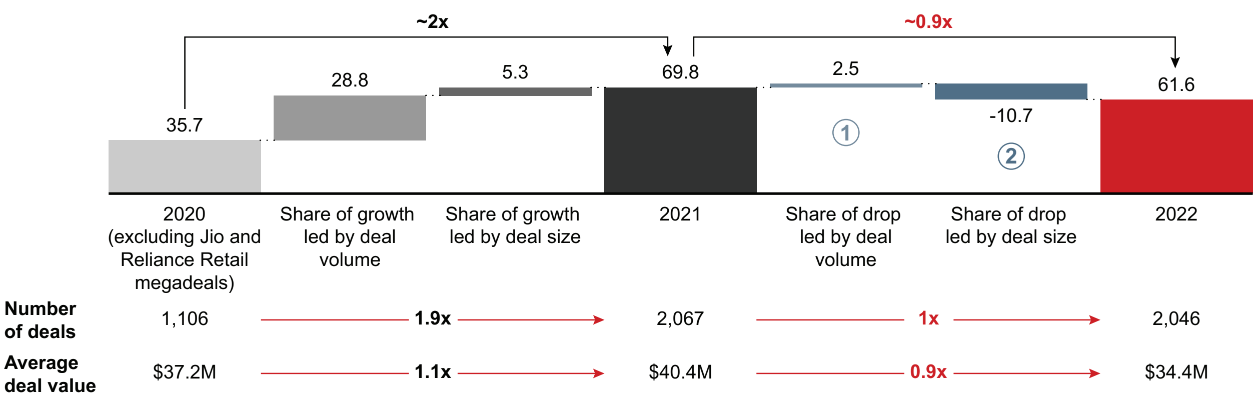
Investment trends



Source: Bain & Company

Figure 6: Investment dip was led by significant decline in average deal size while deal volumes sustained momentum

Annual PE-VC investments in India ($B)

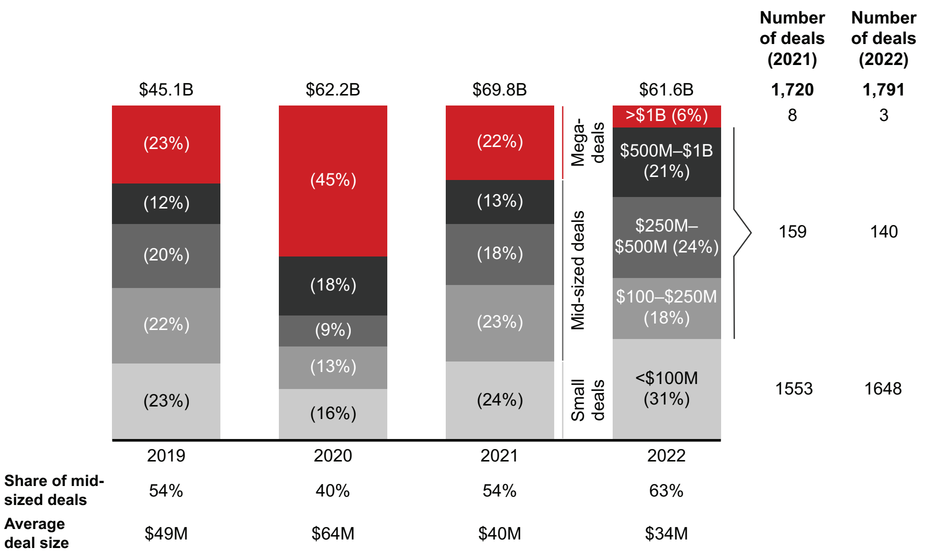


① Deal volumes hold-up led by small-ticket-size deals	② Significant compression in avg. deal size as megadeals decline
Deal volumes sustained momentum with funds continuing to deploy smaller cheque sizes—share of <$100M deals in total deal value increased from 24% to 31% over 2021–22 (<$100M deals were 1,553 in 2021 vs. 1,648 in 2022)	**Decline in average deal size was driven by significant mix shift from megadeals to small- and mid-ticket-size deals**—megadeals ($1B+) dipped by more than 50% from 8 to 3

Notes: Number of deals includes deals with undisclosed values; However, only disclosed deal values are considered for average deal value calculation
Source: Bain & Company

Figure 6a: Momentum in deal volume was led by expansion in smaller ticket-size deals while $1B+ "megadeals" reduced

Annual PE-VC investments by deal size in India ($B)



Investment trends

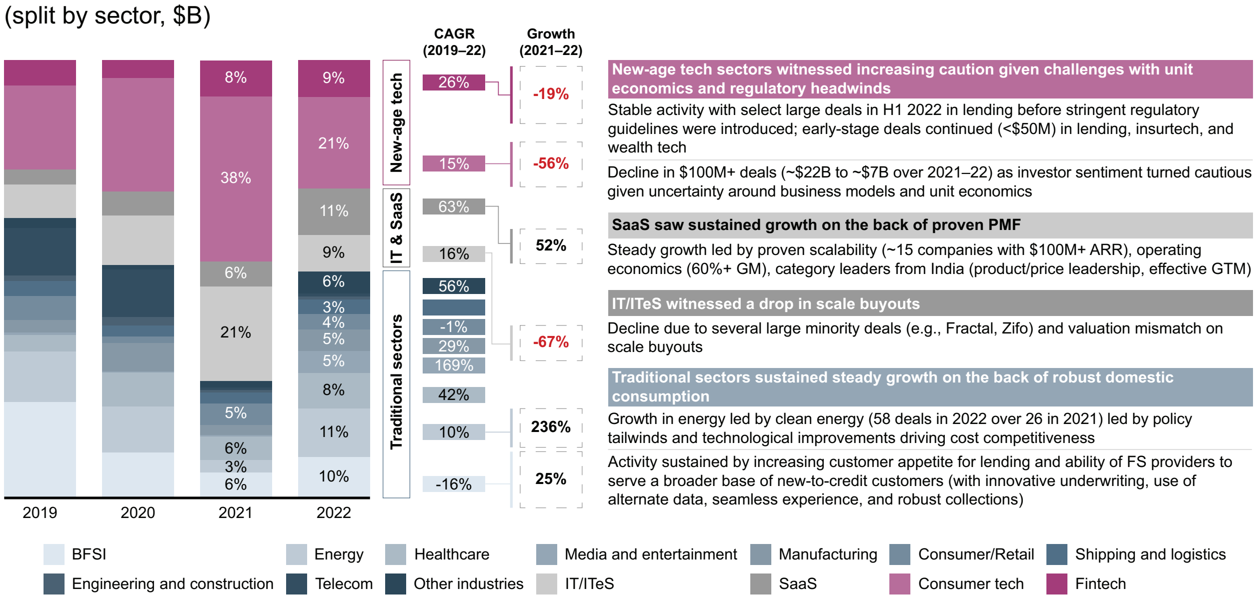
Megadeals declined by more than 50% with 2 out of 3 deals closing in H1 2022, while there was sustained buoyancy in <$100M deals driven by VC deals (~1,550)—investors continue to believe there are good value and innovative companies in India but are unwilling to invest large pools of capital in late-stage companies in the current, uncertain macro environment, while the well-capitalised companies also prefer waiting to avoid flat/down rounds

Within the mid-sized deals, ~70% of deal volume was closed in H1 2022 before the full force of macro headwinds weighed down on investor activity

Notes: 2020 includes Jio and Reliance Retail megadeals; Number of deals includes only deals with publicly disclosed values
Source: Bain & Company

Figure 7: Amidst the PE-VC investments slowdown, traditional sectors showed resilient growth, driving material shift in sector mix away from consumer tech and IT

Annual PE-VC investments in India
(split by sector, $B)



New-age tech sectors witnessed increasing caution given challenges with unit economics and regulatory headwinds

Stable activity with select large deals in H1 2022 in lending before stringent regulatory guidelines were introduced; early-stage deals continued (<$50M) in lending, insurtech, and wealth tech

Decline in $100M+ deals (~$22B to ~$7B over 2021–22) as investor sentiment turned cautious given uncertainty around business models and unit economics

SaaS saw sustained growth on the back of proven PMF

Steady growth led by proven scalability (~15 companies with $100M+ ARR), operating economics (60%+ GM), category leaders from India (product/price leadership, effective GTM)

IT/ITeS witnessed a drop in scale buyouts

Decline due to several large minority deals (e.g., Fractal, Zifo) and valuation mismatch on scale buyouts

Traditional sectors sustained steady growth on the back of robust domestic consumption

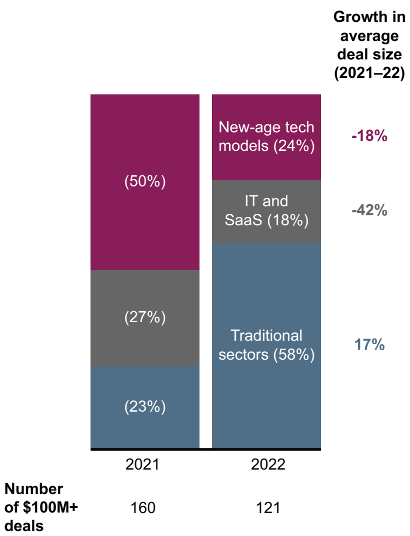
Growth in energy led by clean energy (58 deals in 2022 over 26 in 2021) led by policy tailwinds and technological improvements driving cost competitiveness

Activity sustained by increasing customer appetite for lending and ability of FS providers to serve a broader base of new-to-credit customers (with innovative underwriting, use of alternate data, seamless experience, and robust collections)

Notes: Excludes Jio and Reliance Retail megadeals; Sectors exclude RE and Infra; Other industries includes space tech, sports franchising, and education; GM: Gross margin; GTM: Go to market; ARR: Annual recurring revenue; FS: Financial services
Source: Bain & Company

Figure 7a: Similarly, mid-to-large-ticket-size deals witnessed significant shift in interest from consumer tech to traditional sectors

Sector split of $100M+ deals



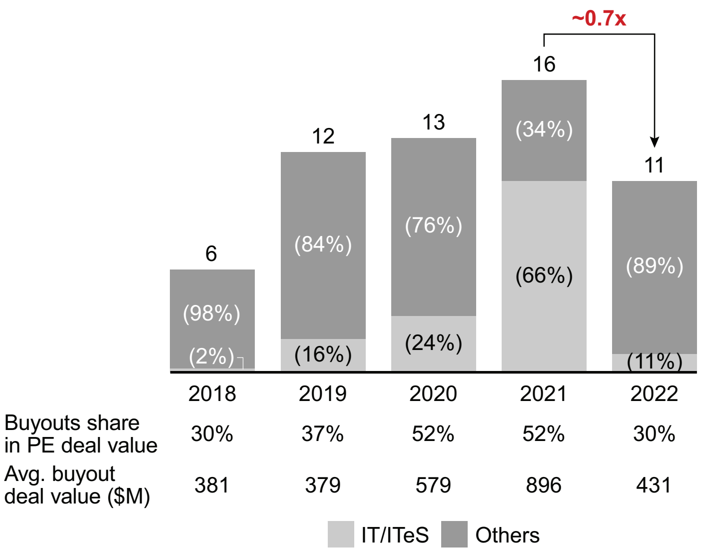
Overview of top 15 deals in 2022

Company	Sector	Lead investor	Deal value	Quarter
Viacom 18	Media and Entertainment	Bodhi Tree Systems	~$1,776M	Q2
YES Bank	BFSI	Advent, Carlyle	~$1,100M	Q3
Securonix	SaaS	Vista Equity Partners	~$1,000M	Q2
CitiusTech	IT/ITeS	Bain Capital	~$960M	Q2
VerSe Innovation (Dailyhunt)	Consumer tech	CPP Investments	~$833M	Q2
IGT Solutions	IT/ITeS	Baring Private Equity	~$810M	Q2
BYJU's	Consumer tech	Byju Raveendran (reinvestment), Vitruvian*	~$800M	Q1
Suven Pharmaceuticals	Healthcare	Advent	~$762M	Q4
Gujarat Titans	Other Industries (Sports Franchising)	CVC Partners	~$753M	Q1
Swiggy	Consumer tech	Invesco	~$700M	Q1
ReNew Surya Roshni	Energy	Mitsui PE	~$662M	Q2
Allen Education	Other Industries (Education)	Bodhi Tree Systems	~$600M	Q3
IDFC Asset Management	BFSI	Bandhan Bank	~$592M	Q2
Tata Power Renewable Energy	Energy	Mubadala, Blackrock	~$525M	Q2
UPL Corp	Manufacturing	KKR	~$500M	Q4

Notes: Sectors exclude RE and Infra; (*) BYJU's $800M funding round had a reinvestment worth $400M from Byju Raveendran and the remaining promised by Vitruvian, Blackrock, and Sumeru
Source: Bain & Company

Figure 8: Dip in large-scale deals, especially in IT/ITeS, also reflected in dampened buyout activity—buyout share declined from 52% to 30% of PE deal value

Total buyout deal value ($B, $100M+ PE deals only)



Buyout trends

Multiple $1B+ buyouts in IT/ITeS drove spike in 2021: 5 deals—Hexaware ($3B), Mphasis ($2.8B), Encora ($1.5B), HGS ($1.2B), and Straive ($1B)—vs. no $1B+ buyout in 2022

Delay in deal processes and fall-through of multiple conversations, especially in IT/ITeS, driven by valuation expectation mismatch; ~33% decline in NIFTY IT P/E multiples over Jan–Dec 2022

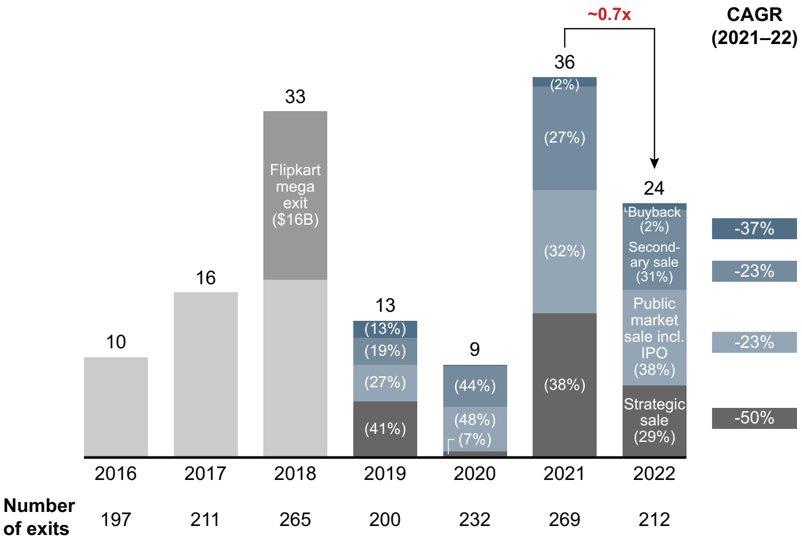
2.5–5 pps. interest rate hike by the global central banks

Prevalence of partial debt financing and spike in cost of credit with global interest rate hikes and increase in hedging costs reducing the return potential for buyouts in 2022

Notes: Does not include VC deals; Includes RE and Infra buyouts; Excludes 2020 Jio and Reliance Retail megadeals; P/E: Price earning
Source: Bain & Company

Figure 9: Exit activity tapered across all modes of exit in 2022 as investors, strategics focus on value creation, cash conservation

PE-VC exit value in India ($B)
(split by mode of exit)



Exit trends

Significant decline in secondary sales volume (72 to 47 over 2021–22) and average exit size ($224M to $180M over 2021–22) as investors shifted attention to value creation amidst caution in capital deployment

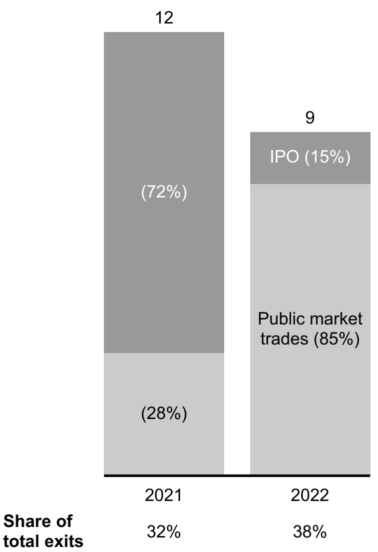
Decline in public market exits primarily driven by fewer IPOs (15% of public market exit value compared to ~70% in 2021) amidst tepid performance of 2021 listings; however, strong stock market performance of traditional sector boosted public trades (~85% of public market sales)

Strategic sales decline driven largely by consumer tech accounting ~$7B in 2021 and <$1B in 2022; exits in 2022 led by few marquee deals (e.g., Sprng Energy-Shell [$1.6B], Neelachal Ispat Nigam-TSLP [$1.5B])

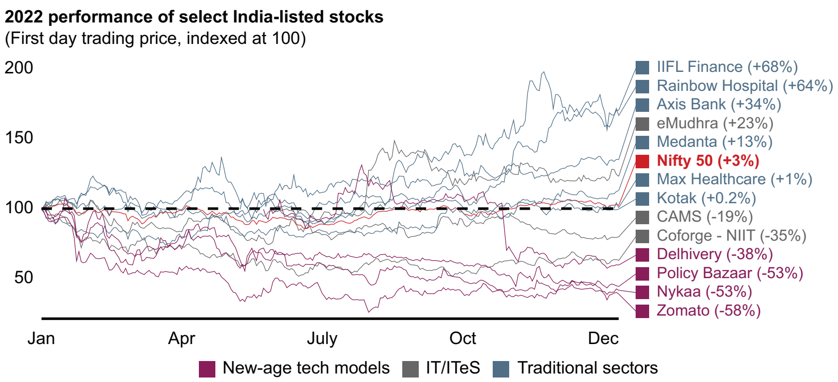
Notes: Includes RE and infra exits; Number of exits includes exits with undisclosed value; TSLP: Tata Steel Long Products; Includes $4.7B BillDesk acquisitionby PayU; called off in October 2022
Source: Bain & Company

Figure 9a: Share of IPOs within public market exits declined from ~70% to ~15% over 2021–22, resilient stock markets boosted public trades for traditional sectors

Total public market exits
(split by mode of exit)



Stock performance of select companies with public market exits in 2022



10+ tech-first companies deferred IPO plans driven by tepid performance of recently listed tech-first peers, compression in implied valuations and overall market volatility

OYO	BoAt	MobiKwik	PharmEasy

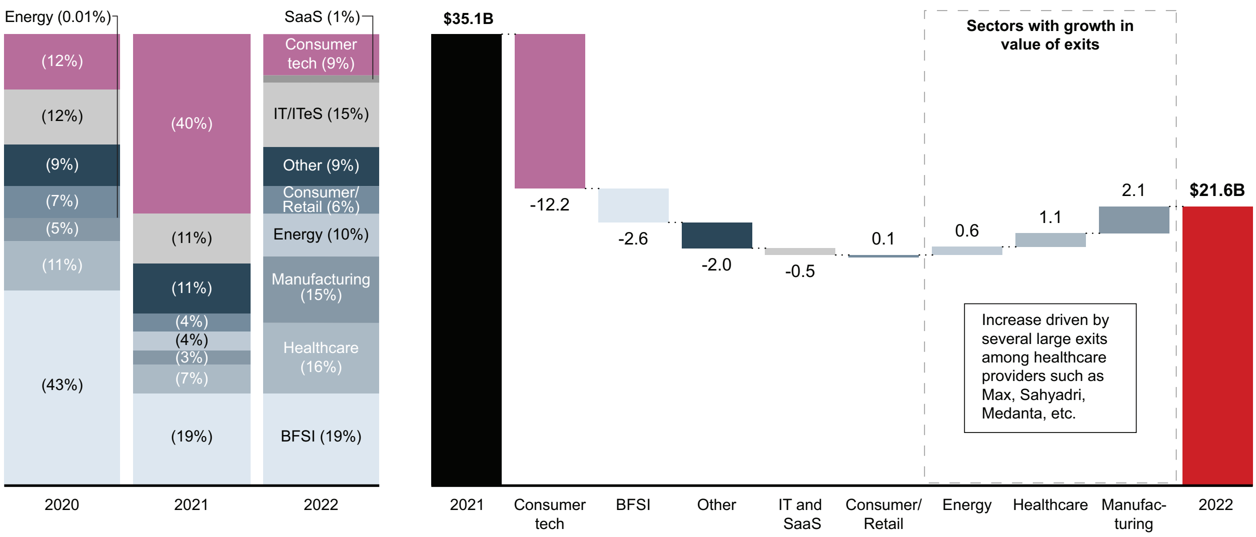
Strong post-IPO public market exits for traditional sectors enabled by buoyant markets:

Key exits (exit value)	**Max Healthcare** ($1.6B)	**Coforge** ($0.3B)
	Kotak ($0.9B)	**Axis Bank** ($0.2B)

Sources: Bain & Company; S&P Capital IQ

Figure 10: Consumer tech exit value declined sharply in 2022 while healthcare and manufacturing saw the largest increase

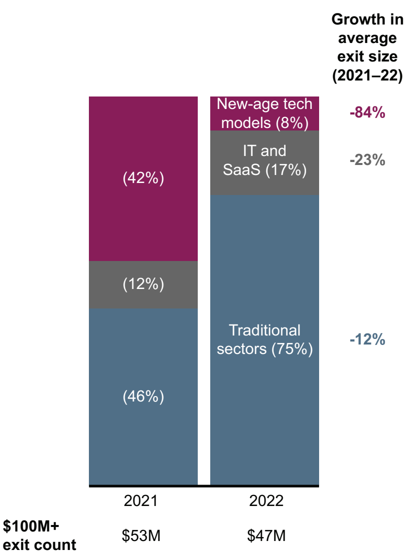
Share of exits by sector ($B)   Change in exit value by sector ($B)



Notes: Excludes RE and infra exits; Other includes shipping and logistics, media and entertainment, engineering and construction, telecom, and other industries; SaaS and IT/ITeS have been combined in the waterfall chart
Source: Bain & Company

Figure 10a: Traditional sectors also dominated large exits ($100M+) in 2022

Sector split of $100M+ exits   Overview of top 15 exits in 2022



Company	Sector	Lead exiting fund	Exit value	Quarter	Mode of exit
Max Healthcare	Healthcare	KKR	~$1,620M	Q1, Q3	Public market sale
Sprng Energy	Energy	Actis Capital	~$1,550M	Q3	Strategic sale
Neelachal Ispat	Manufacturing	MMTC	~$1,547M	Q3	Strategic sale
ASK Group	BFSI	Advent International	~$1,000M	Q1	Secondary sale
CitiusTech	IT/ITeS	Baring Private Equity	~$960M	Q2	Secondary sale
Kotak Mahindra Bank	BFSI	CPP Investments	~$893M	Q1	Public market sale
IGT Solutions	IT/ITeS	AION Capital	~$810M	Q2	Secondary sale
Sona BLW	Manufacturing	Blackstone	~$508M	Q3	Public market sale
Mu Sigma	IT/ITeS	General Atlantic	~$501M	Q2	Buyback
IIFL Wealth Mgmt.	BFSI	Fairfax Financial	~$482M	Q2	Secondary sale
Vedant Fashions (Manyavar)	Consumer/Retail	Kedaara Capital	~$421M	Q1	IPO
ReNew Power	Energy	Goldman Sachs	~$400M	Q4	Secondary sale
Navayuga Quazigund Expressway	Engineering and Construction	Navayuga Group	~$380M	Q3	Strategic sale
Coforge	IT/ITeS	Baring Private Equity	~$335M	Q1	Public market sale
Sahyadri Hospitals	Healthcare	Everstone Capital	~$314M	Q3	Secondary sale

Notes: Excludes RE and Infra exits; Max Healthcare exit includes public market sale (~$433M) in Q1; ASK $1B deal comprises stakes by Advent and other investors
Source: Bain & Company

Sectors in focus: BFSI and healthcare

BFSI

- India's BFSI and fintech sectors have seen a resurgence in interest, with deals worth over $5 billion and $4 billion, respectively, in 2022. Together, they account for 18% of the country's PE-VC investments, driven with growth in overall outstanding credit, which has doubled since 2014 to reach $2 trillion.
- Growth is driven by a large untapped credit population, increasing consumption by a growing middle class, openness to credit, and an increasing ability of players to offer credit through offline and digital expansion.
- NBFCs have been at the forefront of this trend, expanding their share of credit from 21% to 27% in 2022, consolidating share from public banks in underserved markets. NBFCs have grown share in segments such as personal loans, consumer durables, 2W and 3W finance, and micro small and medium enterprises (MSME).
- NBFCs have expanded coverage to new-to-credit customers that are underserved by banks and built expansive on-ground networks in tier 2/3 cities and rural areas that further enable cross-selling opportunities. These growth initiatives are supported by innovative underwriting and collection processes to streamline debt recovery.
- The NBFC model's strength is evident from public market performance of multiple listed players, such as IIFL and Cholamandalam, which outperformed market indices.
- Fintech has seen a sustained deal momentum on the back of innovations in lending (seamless customer journeys, instant disbursals, innovations with no-cost EMI, etc.), with the payments ecosystem also moving towards integrating lending play, expected to drive growth, while the regulations around lending continue to evolve.

Healthcare

- 2022 was a year for marquee healthcare exits, which expanded to about 16% of India's exit value at $3.5 billion, despite forming just about 8% of total PE-VC investments. Of this, nearly 85% of exits were driven by health providers across public market exits, IPOs and secondary sales.

- Large exits were dominated by KKR-Max Healthcare exit of $1.6 billion, Everstone's exit from Sahyadri Hospitals, and the IPOs of Medanta and Rainbow Hospitals.

- Healthcare provider exits returned in 2022 after previous exit cycles in 2015–2016 and 2019, with high volume of exits at increased multiples. The median MOIC stayed above three in a year that saw large multi-specialty provider exits on the back of strong value creation initiatives.

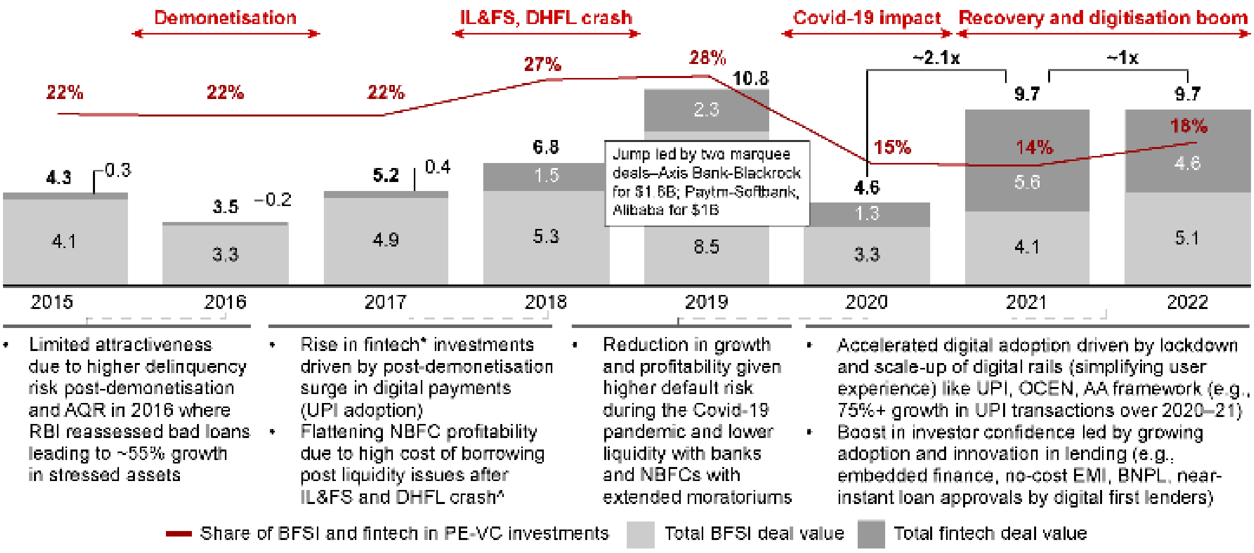
- Large multi-specialty players are leaning on both greenfield (Tier 2 penetration) and brownfield expansion (bed capacity augmentation, consolidation with other players) to increase scale. Further, patient revenue growth has been driven by the resurgence of elective procedures post-pandemic, deeper service mix with a focus on creating centers of excellence at the sub-specialty level, bolstering of ancillary revenue streams, and expansion of digital channels.

- Cost reduction measures undertaken during the height of the Covid-19 pandemic, such as changes in doctor compensation models, reduction in material cost, and tech integrations, have led to significantly improved EBITDA margins for market leaders.

- Pharma saw lower deal traction this year but is expected to flex strength, amidst global sourcing diversification pivots from China, regulatory support with India's National Biopharma Mission, anticipated expiration of patents, and deepening talent in India's Pharma ecosystem.

Figure 11: PE-VC investments in BFSI and fintech have recovered post-Covid-19, led by increasing digitisation and innovation

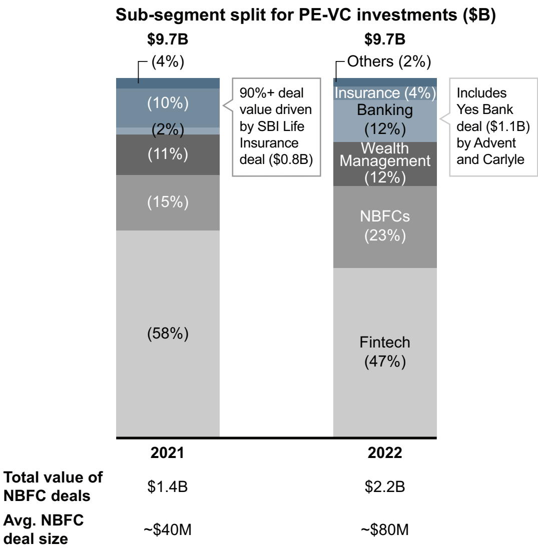
PE-VC investments in BFSI and fintech ($B)



Notes: (*) Fintech sector includes payment gateways, aggregators, lending platforms, and neobanks; (^) IL&FS and DHFL defaulted on their debt obligations in Q3 2018, leading to a liquidity and solvency crisis in NBFC sector; AA: Account-to-account; AQR: Asset Quality Review; Embedded finance: adding a financial product to a website not run by a financial company; BNPL: Buy Now, Pay Later; Jio and Reliance Retail deals ($27B) in 2020 and RE-infra deals excluded
Sources: Bain & Company; RBI

Figure 12a: Sustained momentum in investments in NBFCs with rising demand for lending and value creation by NBFCs

PE-VC investments in NBFC segment demonstrated steady growth over 2021–22



Select (greater than $50M) deals in NBFCs in 2022

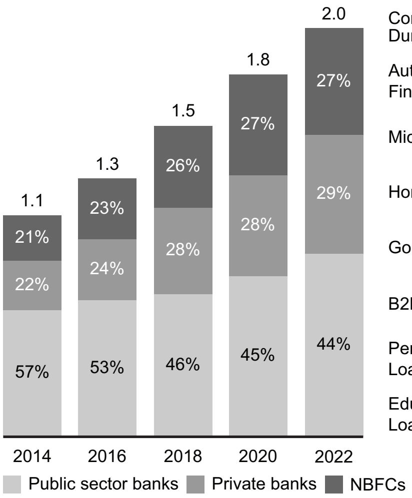
NBFC	Key loan segment	Lead investor	Deal value
Poonawalla Housing Finance	Home Loans	TPG Capital	$472M
IIFL Home Finance	Home Loans	ADIA	$282M
Hero FinCorp	Auto Finance	Apollo Hybrid Fund, Hero MotoCorp	$267M
Shriram Transport Finance	Auto Finance	U.S. International DFC	$250M
Shubham Housing Development Finance	Home Loans	ADB, PremjiInvest, BII	$112M
Kogta Financial	Auto Finance, MSME	CPPIB, Multiples, Morgan Stanley	$111M
Hinduja Leyland Finance	Auto Finance	Elara Capital	$111M
Vivriti Capital	B2B Lending*	Lightrock, Creation Investments	$85M
Finova Capital	MSME	Norwest, Maj, Faering	$65M
AAVAS	Home Loans	CDC Group	$50M
Northern Arc	Microfinance, MSME	FMO	$50M

Notes: (*) B2B Lending: Includes wholesale lending, MSME, infrastructure finance; ~98% of PE-VC fintech investments in 2022 have been by VCs
Source: Bain & Company

Figure 12b: Investor confidence in NBFCs sustained with share gain, especially from public banks

NBFCs share of total credit has steadily consolidated over the last decade

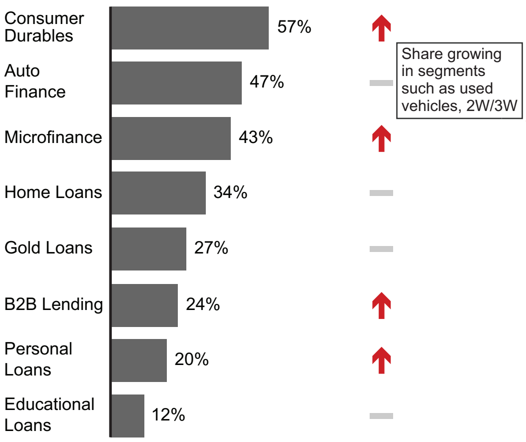
Total outstanding credit excl. bonds ($T)*



Consumer durables, PL, Microfinance and MSMEs have driven NBFC growth …

NBFC share of outstanding credit in 2022 (split by sub-sector)

Growth (2020 to 2022)



… led by penetration in underserved segments, customer experience focus

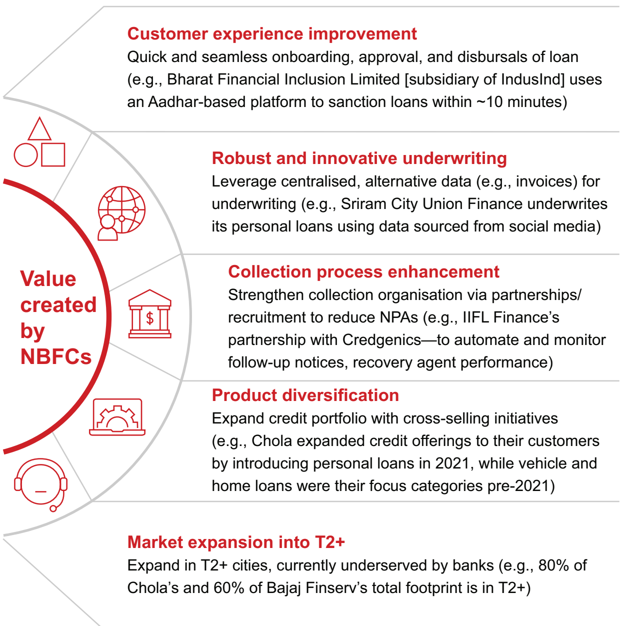
Increasing demand for personal loans for discretionary spending (e.g., travel) and continuing demand for consumer durable loans with increase in per capita income

Increasing ability of NBFCs to extend coverage to new-to-credit segments of the population with the use of alternate data (e.g., e-commerce, SMS transactions, location data, social media, employment details) and favourable policies (account aggregator framework)

Push by NBFCs to tap into rural, MSME segments with expanding offline presence (e.g., ~1.2K branches for Chola) and superior online customer journeys (e.g., enabled through partnerships with vendors providing video KYC, lending arrangements with fintechs, APIs providing customer or business data access in <5 mins)

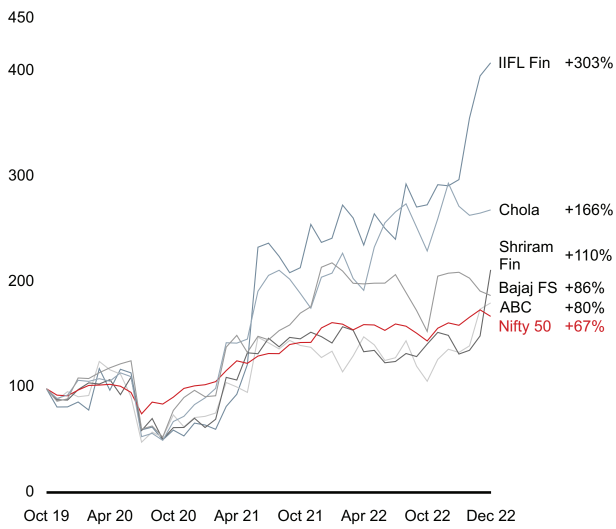
Notes: (*) Calendar year figures; Assuming 1 USD = 78.65 INR average 2022 exchange rate per RBI; PL: Personal Loans
Sources: Bain & Company; CRISIL; RBI; CIBIL

Figure 12c: NBFCs have driven value creation across several themes, evident in their market performance



Top NBFCs have outperformed public markets

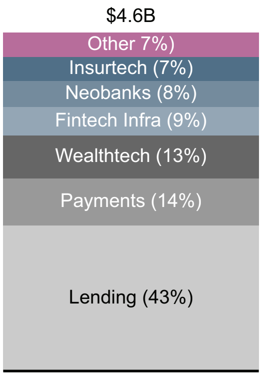
Market capitalization from Jun 2019 to Dec 2022 (indexed to 100)



Notes: T2+ cities: Cities with a population of less than 100,000; ABC: Aditya Birla Capital; NPA: Nonperforming assets
Sources: Bain & Company; Company Investor Presentations; S&P Capital IQ

Figure 13: Fintech witnessed sustained deal momentum driven by lending, fintech infra and emergent wealth, insurtech models, despite growing regulatory scrutiny

PE-VC investments in fintech in 2022 ($B)
(split by sub-segments)



Scale ($100M+) deals in fintech in 2022

Sub-segment	Fintech	Lead investors	Deal value
Lending	Stashfin	Uncorrelated, Fasanara	$270M
	Oxyzo	Alphawave, Tiger	$197M
	Cred Avenue	Sequoia	$138M
	Fibe	TPG,Norwest	$110M
Payments	PineLabs	Alphawave	$200M
	CRED	GIC	$140M
Neobanks	Niyo*	Multiples	$130M
Insurtech	Turtlemint	Amansa, Nexus, Jungle Ventures	$120M

Key drivers of deal flow

- **~70% of lending deals in H1 2022 before increase in RBI scrutiny,** H2 momentum led by early-stage deals (~85% deals <$50M): Growth in lending is driven by rising credit demand among a large new-to-credit population and ability to service with innovative underwriting models and access to alternate data
- **Payment platforms also focus on building an integrated play with lending, wealth, and insurance to** drive monetisation
- **To counter growth and salience of digital lenders, banks are increasingly partnering with fin-infra providers** to better compete with fintechs
- **Wealthtech and insurtech propelled by growth in affluent,** mass affluent HH (90M to 130M over 2022–26)

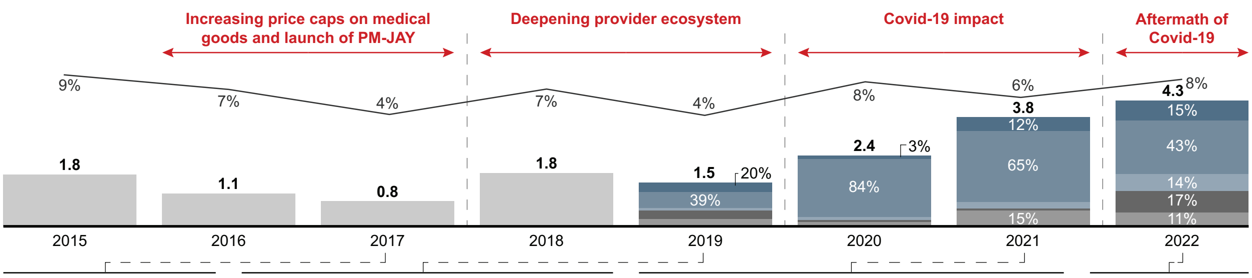
Regulatory oversight aimed at clarifying landscape could pose challenges but likely to boost innovation in the long term

Credit via nonbank PPI instruments halted impacting business models for neocards players	**New digital lending guidelines increased compliance burden** (e.g., loan pool account restrictions, mandatory disclosures)	**Delay in NUE licenses** citing limited innovation in the current proposal	**However, global scale-up of UPI and expansion of AA framework** to continue to foster innovation within fintech

Note: (*) Consolidated deal value for 2022 across two deals ($100M and $30M)
Source: Bain & Company

Figure 14: PE-VC investments in healthcare have gained from Covid-19 tailwinds and maturing ecosystem

PE-VC investments in healthcare ($B)



- Price caps on medical equipment (e.g., cardiac stents,consumables, etc.) impacted profitability of private players
- Launch of PM-JAY (Jan Aarogya Yojana) expanded health coverage but caused uncertainties on treatment pricing, payment delays, etc.

- Marquee deals in 2018 (Mankind Pharma [~$350M], Healthium Medtech [~$350M], and Max Healthcare [~$290M]) accounted for more than 50% of deal value
- Cost and margin optimisation by top hospital providers (e.g., Apollo, Fortis, Narayana Health) via brownfield investments vs. organic bed expansion
- Single-specialty care (e.g., eye care, IVF, cancer) gained traction (5.5x deal value growth over 2018–19)

- Pharma drove bulk of deal value over 2020–21: key drivers include Covid-19 stimulus (e.g., vaccines), 3x increase in FDI over 2019–20 with shift in demand from China and regulatory enablers (e.g., PLI)
- Decline in deal values in 2020 for providers driven by the pandemic (e.g., halt on elective procedures) with marginal recovery in 2021
- Growth in diagnostics led by scaling up of organised players (Dr. Lal PathLabs' investment in Suburban diagnostics for ~$150M) and pandemic-induced demand

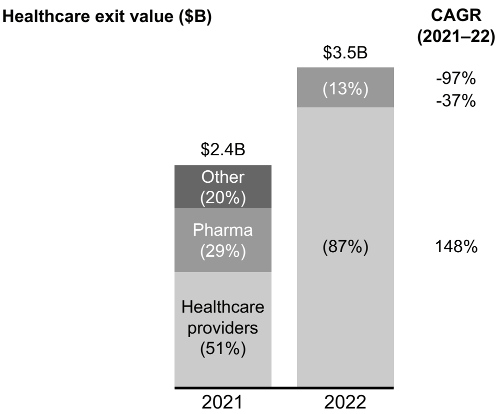
- ARPOB increase from resurgence of elective procedures and cost focus post-Covid-19 sustained for healthcare providers
- Tailwinds for pharma from price rise: ~10%* (highest) rise allowed for scheduled drugs

Multi-specialty hospital · Single-specialty hospital · Diagnostics · Pharma · Other · Share of HC in PE-VC investments

Notes: Other includes ancillary, out-of-hospital formats, health-tech firms, pharmacy retailers; (*) Prices of ~850 scheduled formulations saw price increases from April 2022; FDI: Foreign direct investment; IVF: In vitro fertilisation; ARPOB: Average revenue per occupied bed; Deal value share calculation excludes RE and infra deals and 2020 Jio/Reliance Retail megadeals
Source: Bain & Company

Figure 15: Healthcare accounted for ~16% of total exits in 2022, despite forming only ~8% of total investments, driven by multiple marquee provider exits

HC providers accounted for ~85% of total HC exit value in 2022



	2021	2022
HC deal value	$3.8B	$4.3B
HC share of deals	6%	8%
HC share of exits	7%	16%

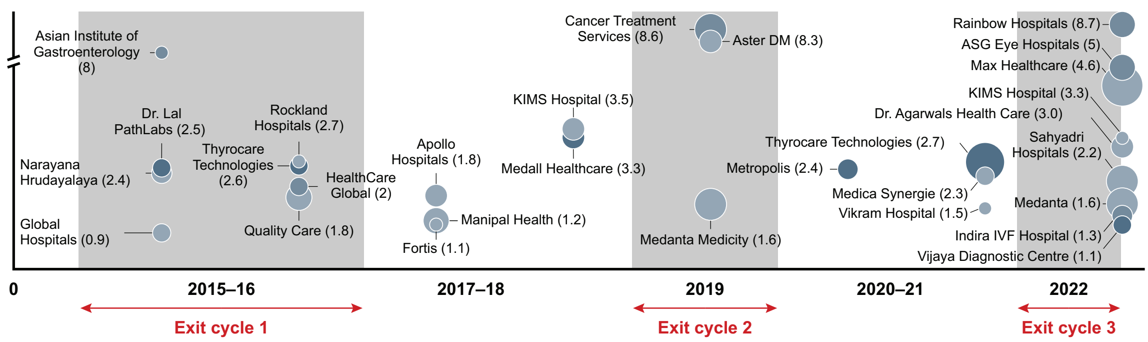
Top 10 healthcare exits in 2022

Portfolio company	Exiting funds	Lead buyers	Mode of exit	Exit value
Max Healthcare	KKR	New World Fund Inc., GIC	Public market	$1.62B
Sahyadri Hospitals	Everstone	OTPP	Secondary	$314M
Medanta Medicity^	Carlyle	RJ Corp, Novo Holdings, SBI Funds	Public market	$268M^
Intas Pharmaceuticals	Temasek	ADIA	Secondary	$261M
Rainbow Hospitals*	British International Investment	ADIA, GIC	Public market	$236M*
ASG Eye Hospitals	Investcorp Strategic Capital Group	General Atlantic, Kedaara Capital	Secondary	$189M
Dr. Agarwal's Health Care	ADV Opportunities Fund	TPG Growth, Temasek	Secondary	$136M
Curatio Healthcare	Sequoia ChrysCapital	Torrent Pharma	Strategic	$100M
Oaknet Healthcare	Samara	Eris Lifesciences	Strategic	$85M
Vijaya Diagnostic Centre	Kedaara Capital	Wasatch Advisors	Public market	$57M

Notes: HC: Healthcare; Healthcare providers include single- and multi-specialty hospitals, diagnostics, and out-of-hospital formats; Other includes medical device manufacturers, health-tech firms, pharmacy retailers; (^) Exit value includes Carlyle's $58M pre-IPO sale in October 2022; (*) Consolidated exit value across two exits ($132M and $104M)
Source: Bain & Company

Figure 16: Provider exits typically witness a cyclical pattern in investor returns

Multiples on invested capital for exits



	2015–16	2017–18	2019	2020–21	2022
Average MOIC	2.9	2.2	6.2	2.2	3.4
Median MOIC	2.4	1.8	8.3	2.4	3.0

Multi-specialty hospitals | Single-specialty hospitals | Diagnostics | **Bubble size scaled to exit value**

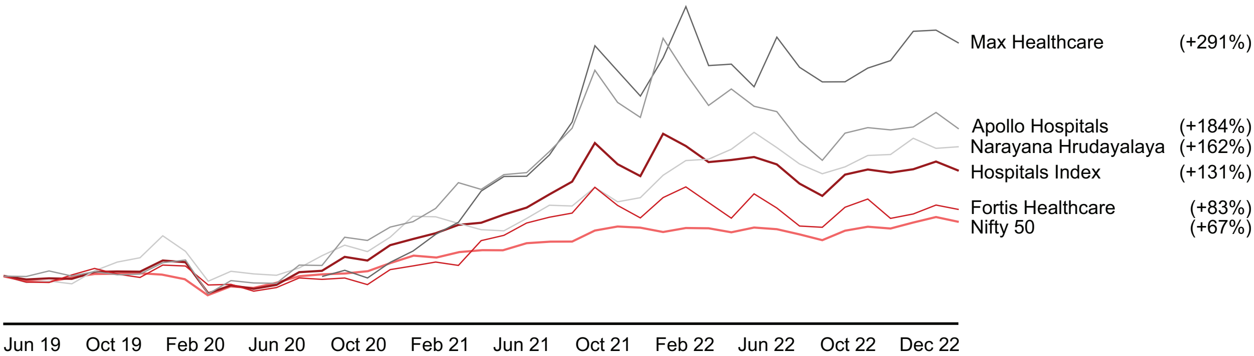
Cyclicality is led by EBITDA peaking in exit cycles

High utilisation typically achieved after 2–3 years of investment made in the capacity	ARPOB increase and cost rationalisation over Covid-19 contributed to 2022 peak

Notes: MOIC: Multiples on invested capital; EBITDA: Earnings before interest, taxes, depreciation, and amortisation; Only exits >$30M with MOIC data available are considered for calculation; For exits where MOICs are unavailable from Venture Intelligence, MOICs are calculated as valuation at exit/valuation at purchase; If valuations are not available, MOICs are calculated as exit value/deal value for exits with single investors with complete exit
Sources: Bain & Company; Venture Intelligence

Figure 17: Healthcare providers have outperformed the public stock market driven by focused value creation initiatives and macro tailwinds

Market capitalisation of hospital players
(indexed to 100)



Value creation initiatives across healthcare providers			Macro tailwinds
Scale expansion via facility/bed addition, M&A led micro-market-share gain and T2+ penetration	**Patient revenue growth** via deeper service mix, alternate revenue streams (e.g., pharma) and channel expansion (e.g., digital)	**Cost reduction** via streamlined compensation model, material cost reduction, and digitisation	**Pandemic-led growth in profitability** (e.g., steady patient flow, sustained cost rationalisation like variable doctor fee)

Notes: Hospitals Index calculated as the sum of market capitalisation of top players with market capitalisation greater than INR 1,000Cr (~$120M USD); Narayana Hrudayalaya, Aster DM, Apollo Hospitals, Fortis Healthcare, Shalby Limited, Kovai Medical Center, and HealthCare Global Enterprises (companies with IPO during the given period have been excluded); M&A: Mergers and acquisitions
Sources: S&P Capital IQ; Bloomberg

Figure 18a: 2022 saw sustained focus on organic and inorganic scale expansion across healthcare providers

Organic bed expansion	Market consolidation by strategics via M&A	Increase in T2+ penetration
Active ongoing capacity expansion by national and regional players: significant headroom on bed-to-population ratio (1.5 per 1,000 people vs 4.3 for China and 2.1 for Brazil)	**Acquisitions by scale players to grow market share in focus geographies and strengthen cost position** (e.g., vendor consolidation, overheads reduction)	**Expansion into T2+ cities to set up secondary and tertiary centers** given low doctor-to-patient ratios (0.4 physicians per 1,000 population in rural vs. 2 in urban)
Apollo Hospitals to add ~1,400 beds across Chennai, Gurgaon, and Bangalore by 2025	Manipal acquired five Columbia Asia and one Vikram Hospital assets(s) to expand footprint in Bangalore (2021)	Andhra/Telangana-based Care Hospitals acquired a majority stake in CIIGMA Hospitals to enter Aurangabad market
Max Healthcare to add ~1,500 beds across NCR and Mumbai by 2025	Radiant Life merged with Max Healthcare in 2019 to strengthen footprint in Mumbai and Delhi	

Roll-up play by investors (e.g., Kedaara's investment in Oasis Centre and ASG Eye hospital, Tata investment in Atulaya Healthcare, Anderson Diagnostic, Aarthi Scans) could also drive scale-led efficiencies

Notes: Secondary Care: Necessary treatment for a short period of time for a brief but serious illness, injury, or other health conditions (e.g., childbirth, intensive care); Tertiary Care: Highly specialised care involving complex diagnostics over an extended period (e.g., cancer, neurosurgery, cardiac surgery, plastic surgery); NCR: National Capital Region
Sources: Bain & Company; Company annual reports

Figure 18b: Continued efforts at patient revenue growth via new offerings during and after the pandemic have propelled growth for providers

Deeper service mix

Elective surgeries

Resurgence of elective procedures (e.g., joint replacements, kidney stones) with higher ARPOB post-Covid-19

Manipal hospitals reported ~35% growth in elective procedures in 2022

Super specialties

Sub-specialty CoEs set up (e.g., renal oncology) for stronger patient proposition and higher ARPOB

Apollo to build super CoEs within their key specialties (e.g., rheumatology)

Single-specialties

Growth in single-specialty hospitals with lower capex and higher demonstrated ROCE (e.g., eyecare, oncology, mother and child, IVF)

High MOICs for Rainbow Hospitals (~8.7) and ASG Eye Hospital (~5) in 2022 exits

Alternate revenue streams

Established providers bolstering ancillary revenue streams such as diagnostics ($10B–$12B market, 60%+ GM), pharmacies (~$30B market), preventive care (~$10B market) to capture greater wallet share and build customer stickiness

Max Healthcare expanded into diagnostics with 26 own and 350+ partner collection centers in 30+ cities

Apollo has 5,000+ retail pharmacy outlets contributing to ~35% of their revenue

Growth from digital channels

Digital adoption has gained traction due to increasing internet penetration (700M users), ease of access to physicians in T2+, policy tailwinds (NDHM guidelines), and enhanced patient experience (access to quality GPs and slot booking)

Apollo has scaled to 800+ telemedicine centers* and 16M+ teleconsultations till date

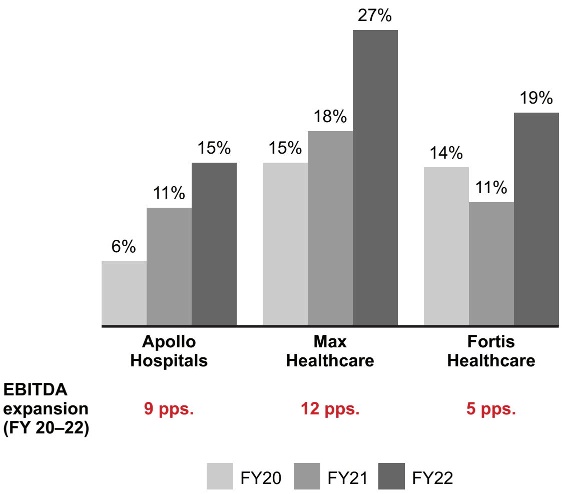
~10% of Cloudnine's revenue comes from their online platform offering e-pharmacy, diagnostics, and video consults

Notes: CoE: Center of Exellence; ROCE: Return on capital employed; NDHM: National Digital Health Mission; GP: General practitioner; (*) Telemedicine centers have hardware and software to facilitate remote consultation
Sources: Bain & Company; Company annual reports

Figure 18c: Providers are driving focus on better cost management to sustain margin upsides achieved during Covid-19

Leading providers saw significant EBITDA expansion over last 3 years …

EBITDA margin for leading healthcare providers (% of revenue)



… led by conscious efforts to drive down costs

1 Optimised compensation and staffing models

- Reduced share of doctors that get fixed fee vs. fixed plus variable, skew in mix towards variable compensation
- Outsourcing of activities (e.g., housekeeping, laundry) and shift in staffing mix (e.g., mix of junior and senior nurses)
- Max Healthcare reduced the share of fixed fee in doctor compensation

2 Material cost reduction

- Vendor consolidation, streamlined procurement (reduced JiT) and supplier renegotiation for consumables
- Apollo and Fortis hospitals reduced consumables and reagents costs by local substitution and vendor consolidation across the value chain

3 Tech-led cost optimisation

- Automation of backend operations (e.g., billing, claims processing) to reduce overheads
- Max Healthcare's RPA reduced TAT by 50% to process customer data for compliance with government schemes

Notes: FY stands for Fiscal Year; FY 22 refers to the period Apr 2021–Mar 2022; RPA: Robotic Process Automation; JiT: Just in time; TAT: Turnaround time
Sources: Bain & Company; Company annual reports

Figure 19: While pharma saw a slowdown in PE activity in 2022, long-term outlook is positive, led by a confluence of tailwinds

Deep pharma ecosystem

- **Consistent improvement in quality, compliance, reliability, cost, and time to market** in APIs and CDMOs on the back of strong technical capabilities (e.g., IP compliance) and growing talent base (1.8M science grads in India vs. 1.1M in China)
  - OTIF levels at 85%–90% in India (70%–75% in China)
  - 10%–15% lower cost vs. China in CDMO (for same-scale players driven by lower labor cost) for development and manufacturing

Regulatory enablers to boost manufacturing

- **PLI 2.0 expanded to high-value goods** (e.g., biopharmaceuticals, complex generic drugs) in addition to APIs, KSMs, and drug intermediaries to boost global cost competitiveness
- **National Biopharma Mission**: ~$190M funding from the government to set up infrastructure and academia collaboration for development of vaccines and biotherapeutics
- **Government has invested in three bulk drug parks** to boost local API manufacturing

Tailwinds from global sourcing diversification

- **Supply constraints in China** due to strengthening of EHS regulations and increased scrutiny from end-market regulators positioning India as a preferred outsourcing partner
- **Greater focus on India for exports** as global firms look to diversify supply chain exposure in light of escalating US-China trade tensions
- **Huge opportunity unlocked for generics market in India** with growing patent expiration ($4B+ worth of generics' revenue opportunity over 2023–28 in injectables)

~2X
PE-VC investments growth over 2019–21

3rd
Global rank for pharma manufacturing by volume

Largest
Share of exports (35%–40%) to regulated markets for moderate complexity APIs

Largest
Share (20%+) of generic medicines in global supply by volume

Notes: API: Active pharmaceutical ingredient; CDMO: Contract development and manufacturing organisation; IP: Intellectual property; OTIF: Orders delivered on time and in full; KSM: Key starting materials; EHS: Environment, health, and safety; India has 10%–15% lower cost vs. China for small molecules; Share of generic medicines considered for oral
Sources: Bain & Company; Invest India

ESG: Moving from mind-share to wallet-share

- ESG investing witnessed a sharp uptick in 2022, in a signal of a move from "mind-share" to "wallet-share." Investments in ESG assets increased from 5% of overall investment value to 13% over 2021 to 2022 with about a 2.4x increase in deal value to nearly $7.9 billion.
- Extent of ESG integration with the investment philosophy varies across funds—some funds have ESG framework for their portfolio companies and support them with benchmarks and/or best practices, while select diversified funds have sectoral focus on ESG; some impact investors have dedicated ESG funds; and lastly, there are a few pure-play ESG investors.
- ESG investment is largely concentrated in clean energy (solar, wind power, etc.) and electric mobility, especially EV manufacturing—these themes contributed to approximately 90% share of $19.2 billion invested in ESG across 2018 to 2022.
- Clean energy saw robust deal activity in 2022 propelled by rising cost competitiveness of solar compared to thermal power—regulatory headwinds for coal power, government investment into solar infrastructure driven by COP27 and production linked incentives (PLI) to boost domestic manufacturing of solar photovoltaic (PV) modules continue to enable a favourable landscape for solar.
- Electric mobility segment has grown at approximately 150% CAGR over 2018 to 2022, driven by an increasingly favourable TCO—EV penetration is likely to go up significantly in the next 5 years to 18% to 20% for 2W, about 25% for 3W (excluding e-rickshaws), and about 5% for 4W.
- While the maturing renewables sector has seen robust exits for marquee assets, consumer adoption of EVs still remains nascent. Further, as ESG investing picks up pace, the challenge of divergent frameworks and varied reporting needs to be addressed for investors to adopt a unified approach with a clearer view on value creation and exit opportunities.

Figure 20: Environmental, social, and governance investing is across three key themes: clean energy and electric mobility are the most salient

Clean Energy

	Key deals*
Energy generation: Energyproduction from solar (C&I, utility), wind, hydro	ReNew, $1,800M; Tata Power RE, $525M
Equipment and components: Wind/hydro turbines, PV cells and modules, storage batteries	Sun King, $260M
Energy management systems: Control units to monitor, control, and optimise energy generation and distribution	GPS Renewables, $35M

Electric mobility

	Key deals
EV OEM: 2W, 3W, and 4W electric vehicles	Tata EV, $1,000M; Ola, $760M*
EV components: Lithium-ion battery components for EV, smart battery, trip and driver management systems, roadside assistance modules	Sun Mobility, $50M
EV services: EV charging stations, battery discharging and swapping stations, quick interchange stations	Charge-Zone, $30M
Mobility services: Delivery fleet services, ride hailing	Lithium Urban Tech., $60M

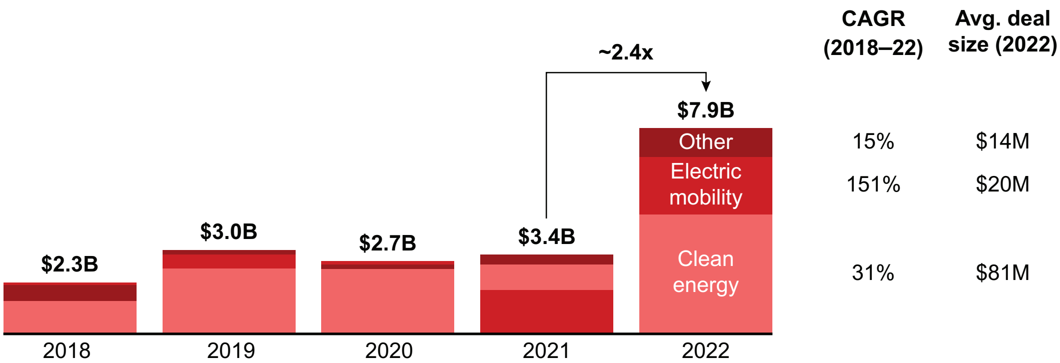
Other

	Key deals
Sustainable food and health: Agritech productivity solutions, precision agriculture, soil protection tools	Absolute, $100M
Waste/water management: Waste disposal units, water purification systems, circular economy marketplaces	Ramky Enviro, $530M
Financing: Financing platforms for climate- and sustainability-focused players	Three Wheels United, $10M

Notes: (*) Deals and deal value over 2018–22 have been considered; C&I: Commercial and institutional; EV: Electric vehicle; PV: Photo-voltaic; Other includes sustainable construction, carbon measurement/avoidance tools, clean and safe materials; 2W: Two-wheeler; 3W: Three-wheeler; 4W: Four-wheeler; Circular economy marketplaces refer to second-hand/used goods marketplaces
Source: Bain & Company

Figure 21: ESG transitioning from "mind-share" to "wallet-share" with ~2.4x growth in deal value over 2021–22

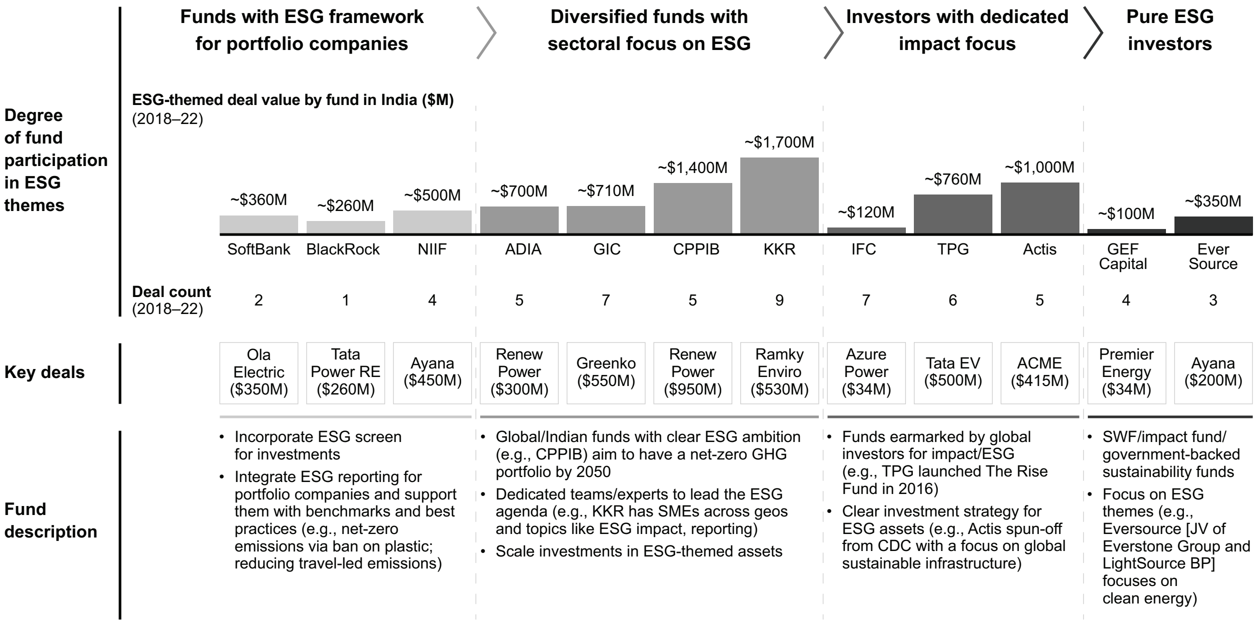
ESG-themed deal value in $B (2018–22)
(split by segment)



	2018	2019	2020	2021	2022
Total deal volume	35	59	84	136 → ~1.7x	236
Avg deal size	$65M	$50M	$32M	$25M → ~1.4x	$33M
% of PE-VC investment	**9%**	**7%**	**4%**	**5%**	**13%**

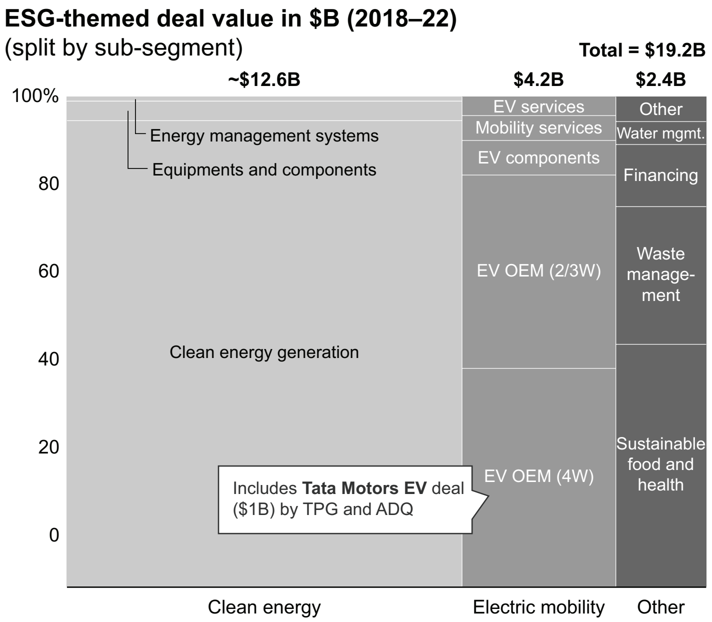
Note: Other includes water and waste management, sustainable food and agriculture, financing, sustainable construction, carbon measurement/avoidance tools, and clean and safe materials
Source: Bain & Company

Figure 22: Depth of ESG integration with investment philosophy varies across funds with material deal activity across all types



Notes: Deal value per investor assumed to be equally split across all investors in a deal in the absence of information; Deals by Eversource also include deals by Green Growth Equity fund (managed by Eversource); ADIA: Abu Dhabi Investment Authority; NIIF: National Infrastructure Investment Fund; IFC: International Financial Corporation; GHG: greenhouse gases
Sources: Bain & Company; Pitchbook; Tracxn

Figure 23: Clean energy generation and EV OEMs drove traction in deal value over 2018–22, driven by favourable policy environment and increasingly attractive TCO



Key growth drivers

Clean energy: Cost competitiveness of solar power (lower by 30%+) compared to thermal propelling deals

- Regulatory headwinds (e.g., restricted plant capacity) increasing cost of coal power generation
- COP27* accord to limit emissions driving government initiatives and investments
- Government investment for infrastructure scale-up across utility and C&I grids (e.g., solar parks)
- PLI ($3.2B) to boost domestic manufacturing of solar PV modules

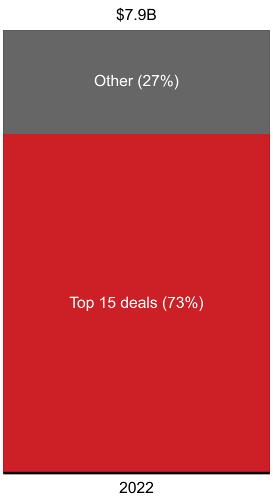
Electric mobility: Favourable TCO coupled with a positive policy environment driving growth in EV

- Lower TCO for EV in 2W/3W as compared to ICE without government subsidies^ (rising fuel cost, BSVI adding to cost for ICE)
- Policy incentives such as FAME II, PLI-led subsidies, further reducing on-road cost
- Battery-swapping models enabling scalability of EV (e.g., delivery fleet use cases)

Notes: Other includes sustainable construction, carbon measurement/avoidance tools and clean and safe materials; BSVI: Bharat Stage Emission Standards; TCO: Total cost of ownership; ICE: Internal combustion engine; OEM: Original equipment manufacturer; EV: Electric vehicles; (*) COP27: 2022 UN Climate Change Conference; (^) Calculation for ~40km/day
Source: Bain & Company

Figure 23a: Clean energy and electric mobility also form the majority of the top 15 deals accounting for ~75% of investment activity in 2022

ESG-themed deal value ($B)



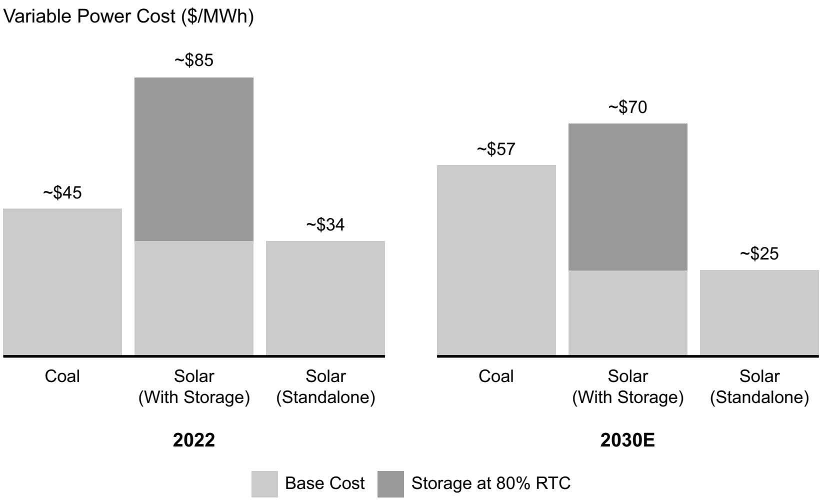
Firm name	ESG sub-segment	Lead investors	Deal value
Renew Surya Roshni*	Clean energy generation (Wind and Solar)	Mitsui PE	$622M
Tata Power RE	Clean energy generation (Wind and Solar)	Mubadala, Blackrock	$525M
Adani Green Energy	Clean energy generation (Wind and Solar)	IHC	$499M
Tata EV	Electric mobility (4W EV OEM)	TPG Rise Fund	$496M
Hero Future Energies	Clean energy generation (Wind and Solar)	KKR	$450M
Serentica Global	Clean energy generation (Wind and Solar)	KKR	$400M
Sunsure Energy	Clean energy generation (Solar), EPC	Partners Group	$400M
Renew Power	Clean energy generation (Wind and Solar)	CPPIB	$400M
Mahindra Susten	Clean energy generation (Solar), EPC	OTPP	$299M
Atha Group	Clean energy generation (Solar)	Actis	$265M
Sun King	Clean energy components (Solar)	Beyond NetZero	$260M
Mahindra EV	Electric mobility (EV OEM)	British International Investment	$250M
Ampere Vehicles	Electric mobility (EV OEM)	ALJ	$220M
Ola Electric	Electric mobility (EV OEM)	Tekne Capital Management	$200M
Waree	Clean energy components (Solar), EPC	Quest Portfolio Services	$138M

Clean Energy Electric Mobility

Notes: (*) Joint Venture between Renew Power and Mitsui PE; EPC: Engineering, Procurement, and Construction; IHC: International Holding Company
Sources: Bain & Company; Tracxn; Pitchbook; Dealogic

Figure 24: Traction in clean energy driven by increasingly attractive costs vs. thermal power and regulatory tailwinds boosting consumption

Variable cost of power for solar to become increasingly attractive vs. coal by 2030



Drivers of cost improvement

Reducing solar capex from ~$0.6 million/MWh to ~$0.48 million/MWh by 2030 with growth of rooftop (vs. ground-mounted) solar, shift to opex cost model (shared cost of development with customer), and tech advances in component manufacturing

Marginal improvement in panel efficiency, with increase in plant utilisation (expected to increase from ~19% to ~21%) led by demand and increasing storage for RTC

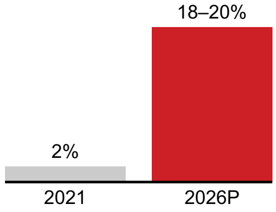
Regulatory tailwinds—e.g., Electricity Amendment Bill of 2022, mandating minimum share of renewable energy purchases by DISCOMs and allowing open access^

Notes: Coal: premium on FY20 prices used given significantly elevated coal prices in 2022; Solar (With Storage): Based on battery required to enable ~80% RTC; Power Cost Conversion: INR 1/kWh = $12.7/MWh (assuming 1 USD = 78.65 INR average 2022 exchange rate per RBI); DISCOM: Distribution Company; (^) Open access refers to purchasing electricity directly from the power generator rather than a state distribution unit
Sources: Bain & Company; International Energy Agency

Figure 25a: Significant penetration growth expected in 2W, 3W, and 4W in the electric vehicle segment

Electric 2W penetration to increase to 18%–20% by 2026

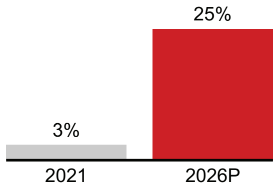
E2W penetration from 2021–2026P (%)



Penetration driven by mopeds (80%–90% penetration by 2026) and scooters (25%–35% penetration by 2026) due to lower TCO; limited penetration in motorcycle segment led by inability to match ICE performance standards (e.g., top speed is 30%–40% lower than ICE equivalent)

Electric 3W penetration to increase to ~25% by 2026

E3W penetration from 2021–2026P (%) (excluding e-rickshaws)

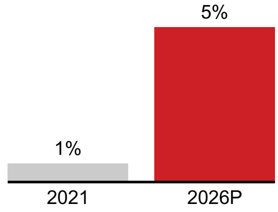


	2021	2026P
Penetration (incl. e-rickshaws)	42%	60%

Increasing adoption by fleet operators given 30%–40% lower TCO compared to diesel with government subsidies

Electric 4W penetration to increase to ~5% by 2026

E4W penetration from 2021–2026P (%)

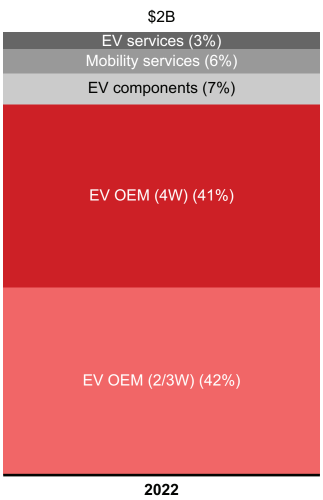


Penetration to deepen in SUVs due to favourable on-road price (lower differential vs. ICE, cars have higher differential) and supply-side preference due to convenience of manufacturing (space for large batteries)

Notes: Estimate assumes no extension of FAME II subsidy beyond 2024; 2W: Two wheelers; 3W: Three wheelers, 4W: Four wheelers; SUV: Sports utility vehicle
Sources: Bain & Company; CRISIL

Figure 25b: 2W, 3W, and 4W OEMs contributed to 80%+ of electric mobility-themed deal value in 2022

Electric mobility-themed deal value ($B)



Key electric mobility deals across sub-segments

Firm name	EV sub-segment	Lead investors	Deal value
Ampere Vehicles	EV OEM (2/3W)	ALJ	$220M
Ola Electric	EV OEM (2/3W)	Tekne Capital Management	$200M
Ather Energy	EV OEM (2/3W)	NIIF, Caladium Investments	$178M
Euler Motors	EV OEM (2/3W)	GIC	$60M
Altigreen Propulsion	EV OEM (2/3W)	Sixth Sense Ventures	$40M
Batt:RE	EV OEM (2/3W)	Shell	$26M
Tata Passenger Electric Mobility	EV OEM (4W)	Rise Fund	$496M
Mahindra EV	EV OEM (4W)	British International Investment	$250M
Evage Ventures	EV OEM (4W)	RedBlue Capital	$28M
Lithium Urban Technologies	Mobility services	EverSource	$50M
ElecTorq	Mobility services	ThomasLloyd Global Asset Management	$39M
Vecmocon Technologies	EV components	Neev Fund	$26M
Log9 Materials	EV components	Tiger Global, Orios Venture Partners, Blume	$25M
ChargeZone	EV services	GEF Capital Partners	$25M

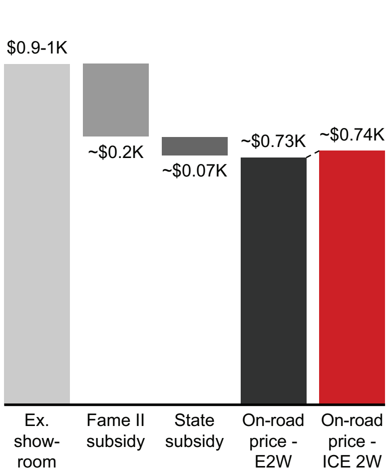
EV OEM (2/3W) | EV OEM (4W) | EV Components | Mobility Services | EV Services

Sources: Bain & Company; Tracxn; Pitchbook; Dealogic

Figure 25c: Specifically, for E2W, on-road price is lower compared to ICE in entry, but slightly higher in the middle and top tier segment

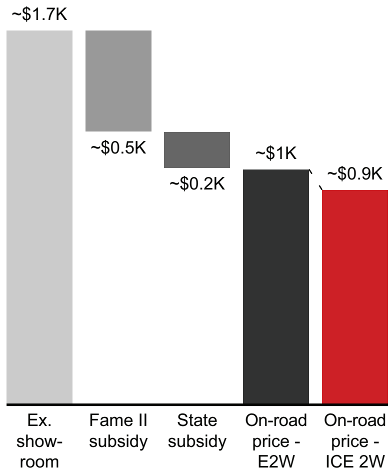
Entry tier (<$1K) lower than ICE

E2W entry tier on-road price vs. ICE counterpart (in $K)



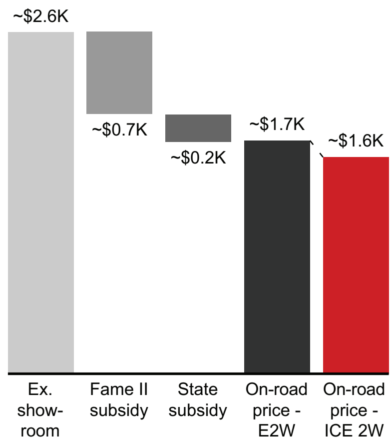
Middle tier ($1K–$1.5K) higher than ICE

E2W mid tier on-road price vs. ICE counterpart (in $K)



Top tier (>$1.5K) comparable to ICE

E2W top tier on-road price vs. ICE counterpart (in $K)

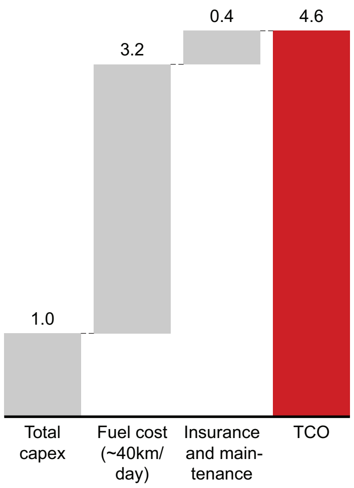


Notes: Entry Tier: Hero Electric Optima CX (Single Battery) vs. TVS Scooty Pep Plus; Middle Tier: Ola S1 vs. Honda Activa 6G STD; Top Tier: Ather 450X vs. Vespa VXL 125
Sources: Market participant interviews; secondary research

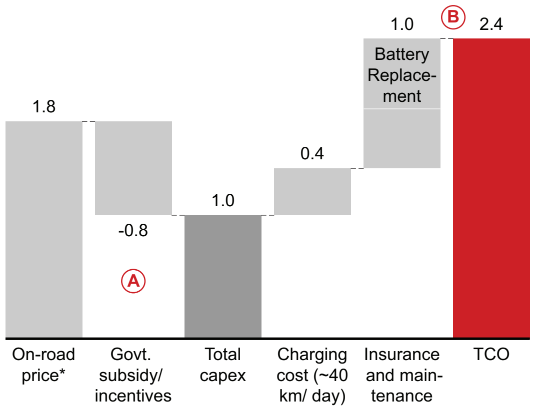
Figure 25d: However, overall TCO for E2W is lower than ICE boosted by favourable policies and technological advances

TCO of electric 2W is ~45% lower than ICE

ICE 2W cost of ownership over 10 years
(# in $K , 2022–32)



E2W cost of ownership over 10 years
(# in $K, 2022–32)



Drivers of favourable TCO

- **Government subsidies** (FAME II, PLI) making on-road price competitive
- **Running cost for EV becoming more favourable** with fuel price rise, BSVI
- **Technological advances** and scale in batteries to reduce cost by ~30% by 2025
- **Government investment in charging infrastructure** (~3k charging stations sanctioned under FAME II across 60 cities) to bring down charging cost

Notes: Comparable models of EV and ICE 2W vehicles were used to estimate total cost of ownership; (*) On-road price does not include subsidies for E2Ws
Sources: Bain & Company; FAME II Notification

Figure 25e: Apart from pricing, investors should assess EV OEMs across multiple parameters to evaluate long-term potential

Product (performance/pricing)

- What are the key features (top speed, range, battery capacity, warranty) and pricing (upfront, TCO) of models in the market?
- What is the product roadmap? Which segments is the firm doubling down on? Are these segments expected to grow?
- How do these models compare with ICE counterparts on upfront capex/TCO?

Supply chain and innovation

- What is the supply chain strategy with respect to cells, battery assembly, and BMS?
- What actions is the firm taking to scale effectively?
- What are current and future manufacturing plans?
- How likely is the firm to meet these targets/scale?

Distribution and network

- What is the current core dealer network?
- What are the expansion plans with regards to distribution?
  Is the firm able to leverage an existing ICE network—especially critical for after-sales service?
- What is the feedback from dealers on EV models?
- What are the key charging/swapping/financing partnerships?

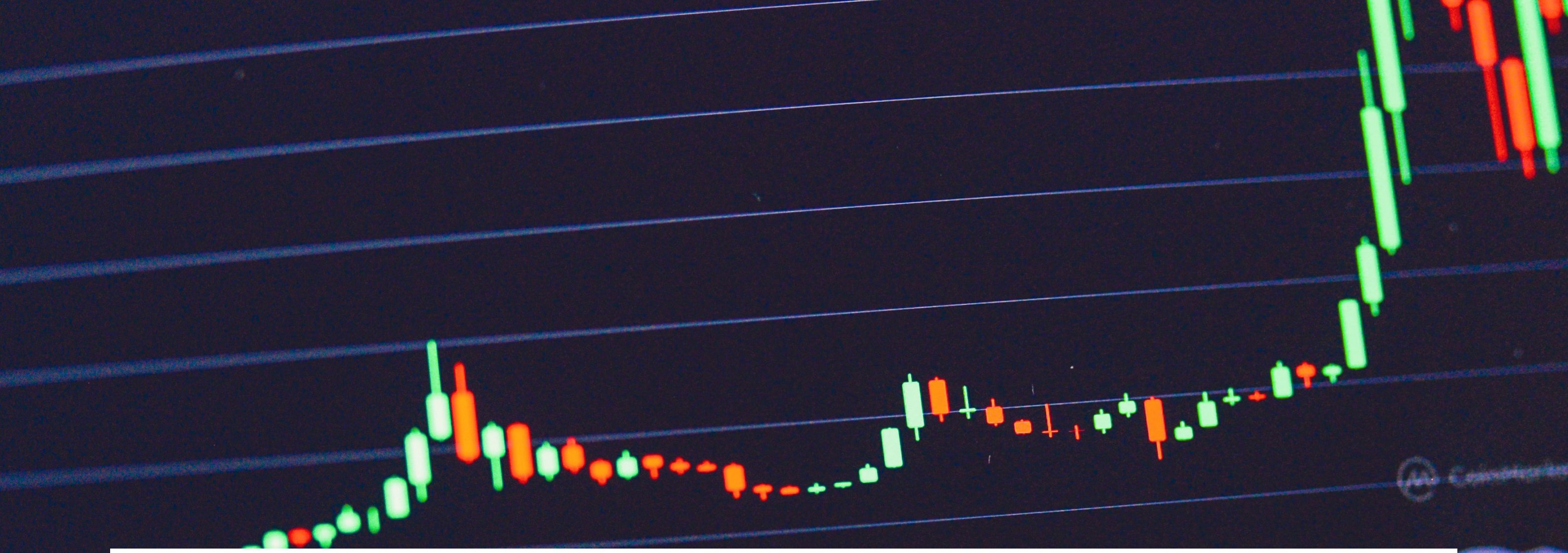
Customer feedback/brand perception

- What is the user experience perception from customers/key influencers (comfort, tech features, styling)?
- What is customer feedback on KPCs, NPS, and key drivers?
- How is the recent performance on product reliability and impact on customer perception/sales?

Talent

- Are there any talent/resourcing constraints especially on BMS, battery manufacturing?
- What is the recent employee feedback? Are there any recent attrition risks?
- What is the quality of talent?

Notes: BMS: Battery Management System; KPC: Key Purchasing Criteria
Source: Bain & Company



The investor perspective: Resilience with an eye on wins

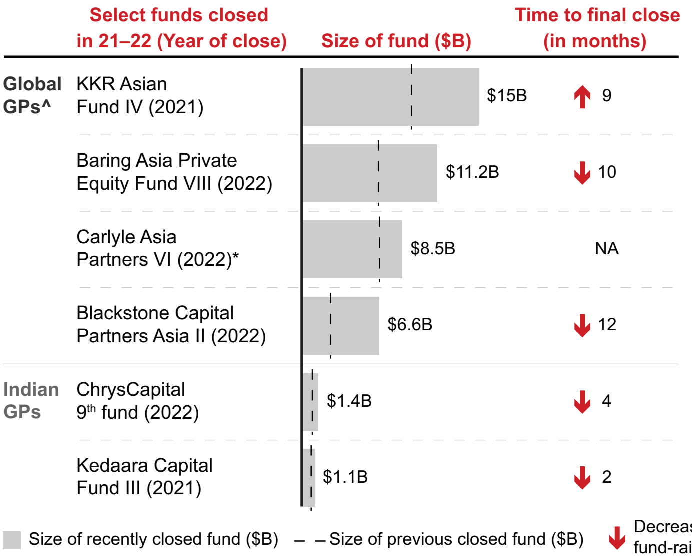
- Top global and Indian investors expanded their presence in India in 2022 with larger fund-raises, increased India allocations and faster closes riding on the momentum of 2021. Leading Indian GPs such as Kedaara Capital and ChrysCapital crossed $1 billion in fund sizes and global funds are allocating increasing share of Asia-Pacific-focused funds towards India.

- Further, an increased play by LPs and SWFs has been witnessed as LPs shift from co-invest towards solo deals with an approximately tripled increase in solo deal volumes since 2020. LPs closed more than 30 solo deals valued at $6 billion in 2022, growing from $2 billion in 2021.

- Investors also accelerated sector diversification this year—average sector spread for top investors increased from about 3 in 2021 to about 5 in 2022. More funds are expanding into traditional sectors like healthcare, BFSI, energy, and manufacturing, bucking a trend between 2018 and 2021 where sector expansion was led by tech sectors.

- Despite an abundance of dry powder, the changing sentiment through the year has driven a fundamental change in the investment approach. Investors are consolidating focus on fewer, higher-quality assets and driving value creation within their portfolios with a dedicated push towards profitability.

Figure 26: Multiple investors surpass previous fund-raises in record time, but capital deployment to remain cautious



Key trends

Top investors close larger funds: Global GPs close larger funds as LPs increasingly concentrate commitments to marquee funds

India allocation of GP funds increases: Top GPs allocate increased share of their funds to India as India is becoming increasingly competitive in APAC (primarily at the expense of China); Global GPs such as Carlyle, KKR's India allocation has increased from ~10% to 20-40% over the last 4-5 years

Indian GPs close record fund-raises: Increasingly competing with global funds, Indian GPs closed larger fund-raises in 2022, with ChrysCapital and Kedaara crossing $1B in fund size in a first for Indian funds

Average time-to-close shrinks significantly: Top GPs achieved fund-raise targets in record time, with significant reductions in time taken to close significantly expanded fund sizes

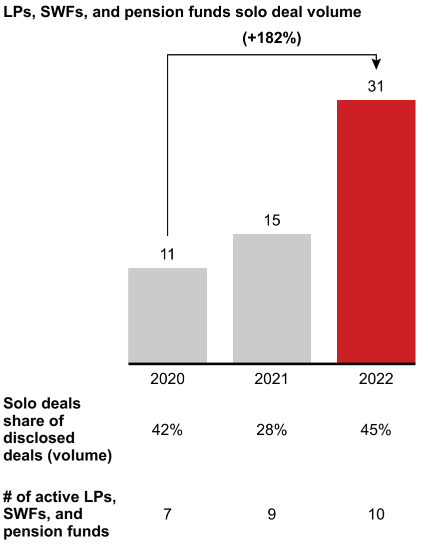
Bulk of fund-raising closed in H1 2022, on the back of LP announcements/commitments from 2021

Capital deployment to remain slow as with continued valuation corrections, longer diligences to scope out quality assets, and caution among LPs as realisations from prior deployments may slow down

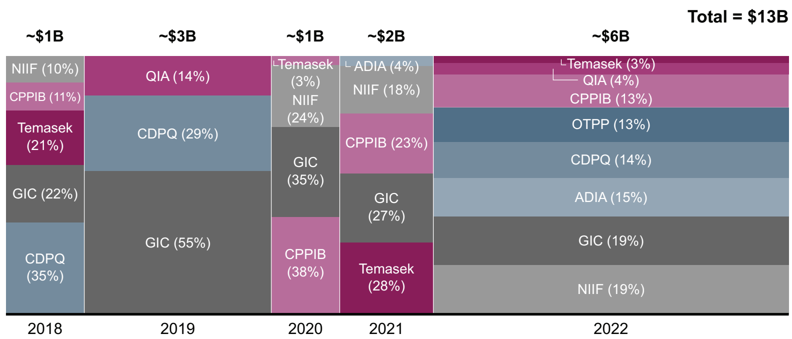
Notes: (*) Carlyle Asia Partners VI is ongoing with a target of $8.5B; (^) Fund-raising data for Global GPs pertains to APAC-focused funds; NA: Not applicable
Sources: Bain & Company; Venture Intelligence; AVCJ

Figure 27: LPs, SWFs, and pension funds deepen bets on India with an expansion in solo play

LPs, SWFs, and pension funds show marked increase in solo deals



Solo deal value by major LPs, SWFs, and pension funds (2018–22)



1 Established funds double down on India

- LPs, SWFs, and pension funds with exposure to India remain active and increase activity—average deals per LP, SWF, and pension fund rise from ~3.7 to ~6.9 in 2020–22
- Increased activity is accompanied by a directed pivot from co-invest towards solo dealmaking

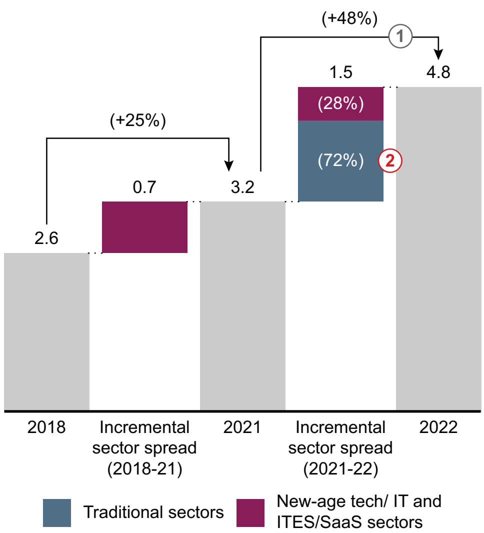
2 Newer funds make confident moves

- Newer LPs, SWFs, and pension funds enter India encouraged by success of established players
- OTPP sets up its 4th APAC office in India and Mubadala follows its 2020 investments in Reliance Retail with focused India play, as LPs, SWFs, and pension funds continue to be bullish on India

Notes: Jio and Reliance Retail megadeals totaling $27B excluded; LPs, SWFs, and pension funds considered are ADIA, ADG, GIC, CPPIB, CDPQ, NIIF, OTPP, QIA, Temasek, Mubadala
Source: Bain & Company

Figure 28: Active investors broadened sector exposure with focus on traditional sectors through large deals

Sector spread of top active funds, YoY (2018–22)*



1 Growth in sectoral spread accelerated over last 5 years

- Expanding sector coverage indicative of growing investor confidence and maturing investment ecosystem
- Average sector exposure grew by ~50% over 2021–22 compared to ~8% year-on-year between 2018 and 2021

2 Sector expansion pivoted to traditional sectors this year

- New-age tech, IT/ITeS, and SaaS drove new sector investments from 2018–21 as tech play in India matured
- Shift to traditional play in 2022 driven by robust domestic consumption, resilient business models, stock market rout for tech companies

Illustrative first-time deals in traditional sectors for select funds in 2022

Fund	Industry	Deal	Deal value
Blackrock	Clean energy	Tata Power Renewable Energy	$525M
ADIA	Agrochem	UPL	$500M
BPEA	Healthcare provider	Asian Institute of Gastroenterology	$315M
OTPP	Healthcare provider	Sahyadri Hospitals	$316M

Notes: (*) Top 18 active funds are funds with the largest overall deal value from 2018–22; Excludes RE and infra deals; Tech sectors include fintech, SaaS, consumer-tech and IT/ITeS; Traditional sectors include BFSI, consumer/retail, energy, engineering and construction, healthcare, manufacturing, media and entertainment, shipping and logistics, telecom
Source: Bain & Company

Figure 29: PE investors are prioritising quality assets with a path to profitability amidst cautious deployment, and driving value creation within the current portfolio

Investors are revisiting their approach to new deals …

Spotlight on assets with demonstrated quality

Assets with clear path to profitability become significantly more attractive, commanding a premium over growth-focused assets riding on cash burn in the near term

"Assets with marquee market dominance and clear moats, and models with a clear road to profitability command a premium in the current market."

Longer deal processes

Deal cycles become longer as funders and founders diverge on valuation expectations—pressures of down rounds bring in diversity in deal types, with structured deals picking pace

"Dealmaking process has become longer this year, taking longer than 2–3 months—it is harder to find alignment on valuations."

Tempering of valuations

As consumer tech models struggle in the public markets, valuations have tempered as investors use public market benchmarks for multiples, accompanied by a move towards EBITDA-driven valuations

"It will be hard to justify 2021 valuations given the questions raised by public markets on the road to profitability—valuation compression is here to stay."

… and rejigging portfolios with an eye on exits

Pivot to value creation and profitable growth

Funds shift focus towards profitable growth against accelerated growth at all costs—value creation as portfolio teams become increasingly important amidst slowing growth and global uncertainties

"As exit markets slow down, there will be a deeper focus on value creation with our portfolio companies, led by our senior advisors and ops teams—we come in with a focus on transformation."

Preserving valuations with an eye on exit

Investors with impacted portfolios willing to exit at deeper discounts, while founders look to secure runway and preserve valuations through smaller primary rounds and structured deals

"We are incorporating effects of public market corrections to our portfolio and are willing to exit at a discounted valuation over 2021, where we entered early."

Source: Bain & Company

Looking back to look ahead: India's accelerating flywheel

- From its foundation in the 1980s to a growing and resilient investment ecosystem today, private equity in India has burgeoned, especially in the last decade. The investor base has expanded from about 200 to more than 800 active investors, and there has been an expansion and diversification in pools of available capital and an acceleration in India-focused capital. These shifts are complemented by growing founder and talent experience, favourable shifts in the regulatory landscape, and supporting digital infrastructure which has helped boost innovation.

- Investors with depth in India exposure have witnessed tremendous growth in exit opportunities, with secondary and strategic sales markets growing manifold. Since the 2010s, many high-quality assets with specialised play have enabled value capture of 10x to 20x for multiple investors across investment cycles.

- While funds are cautious about 2023, they have started looking deeper at the Indian opportunity—with an expanded focus towards sectors that are expected to capitalise on our growing domestic consumption, manufacturing sectors which are expected to benefit from China + 1 tailwinds, and continued investment in India for global tech services and SaaS firms.

- A shift in the shape of deal flow is anticipated, with a drawdown in the number of mega ($1B+) deals, an increased interest in take-privates and corporate carve-outs, and efforts towards designing a path to profitability for portfolio companies, even as the pace of deal activity thins out.

Figure 30: Private equity in India has come a long way and is set to further consolidate gains

1980s	**Foundation of private equity in India**	First generation of VC funds launched by ICICI, IDBI, and IFCI Other banks follow suit; regional VC funds come up
1990s	**Foreign funds enter India** **Regulatory setup and initial attention**	Baring, CDC, and other global PE firms enter India SEBI (VC Funds) Laws of 1996 introduced and IVCA set up US dot-com boom invites attention to Indian IT and internet firms Chrysalis Capital (ChrysCap) and West Bridge set up by Indian-origin managers
Early 2000s	**Dot-com bust leads to partial exit of foreign firms** **Investment sector focus shifts** **Mega exits revive interest**	Dot-com bust between 2001 and 2003 leads to many foreign PE firms exiting India Investment activity revives in 2004 with initial interest in manufacturing 6 PE-backed companies go public successfully; mega-exits with marquee returns, such as Warburg-Airtel ~$2B exit, ICICI Ventures-Infomedia exit revive interest Country's UHNI start setting up family offices for investment
2008–11	**Global financial crisis and aftermath**	PE deal activity and fund-raising slowed due to GFC Failed deals and governance issues in non-IT sectors, with Gokuldas, Monet Ispat, and Lilliput deals revealing gaps in founder-investor alignment IT deals (Patni Computer Systems, iGate) at great valuations prove successful
2012–14	**First consumer-tech wave driven by growth in VC** **Shifts in regulatory landscape**	Internet start-ups looking at digital-enabled scale grow Global VCs make big bets on consumer tech as the start-up ecosystem heats up SEBI recognises AIFs in new rules
2015–19	**Macro stability favourable for PE** **Fund increasingly focus on buyouts** **Select VC mega-exits lay the path for exits** **Steady flow of PE capital**	Accelerated internet penetration driven by data revolution enables digital ecosystem Multiple reforms aimed towards business from GST to corporate tax reforms to Insolvency and Bankruptcy Code Walmart buys control stake in Flipkart, one of India's first ecommerce start-ups, for $16B
2020–22	**Global disruption due to Covid** **India expands share within APAC** **Continued rise in growth equity** **First IPO exits of new-age internet start-ups**	Reliance Retail and Jio enter mega-deals worth $27B with large investors and SWFs Top funds deepen activity in growth equity Exuberance of 2021 sees multiple blockbuster deals as India overtakes China in number of domestic unicorns First-time IPOs by multiple consumer tech firms in a buoyant market
2023 onwards	**Maturity of ecosystem reates resilience amidst headwinds** **India continues attractiveness with deepening investment ecosystem**	Dry powder shifts towards India as other large economies slow Funds continue to increase India commitment; diversified pools of capital increasingly accessible across enterprise life-cycle Increasing ESG-focus and influence of activist investors makes governance and environmental initiatives a norm

Notes: UHNI: Ultra-high-net-worth individuals; AIF: Alternate Investment Fund; GFC: Global financial crisis; GST Goods and services tax
Source: Bain & Company

Figure 31: Superior value delivered by the investment ecosystem has been enabled by founders, investors, and talent coming together to build remarkable global assets

Broadening investor base in India …

- **4x** — **Surge in active investors** from ~200 in early 2010s to ~800 in 2022, including crossovers, SWFs, micro-VCs, and new LPs
- **Funds widen playbook and diversify play**—e.g., Sequoia's Surge accelerator for seed stage, Baring growth fund
- **$0.5B** — **Average buyout value in 2020–22** compared to <$100M a decade back, led by multiple $1B+ deals and as funds deepen sector focus
- **8x+** — **Increase in India-focused capital** as funds set up local offices and allocate increasing share of funds to India

… and a maturing corporate ecosystem

- **Growing base of experienced founders and winning teams** — *"Founders and teams are more mature today as second-, third-generation entrepreneurs are complemented by teams that have built start-ups before and understand the nitty-gritties of scaling a company"*
- **Organisational focus on growth, innovation and unit economics** — *"We are seeing a stronger focus on underlying business economics and a strong push towards digital adoption across levels."*
- **Large pool of quality traditional assets** — *"We have enjoyed our collaborative relationships with legacy businesses—promoters understand how to outgrow the sector and have generated significant value for all stakeholders. "*
- **Deep moats with verticalised play in sub-sectors** — *"Firms look towards deepening vertical expertise within their sectors (IT/BPO with HC focus, etc.) and are established as innovation leaders."*

… has led to superior value outcomes

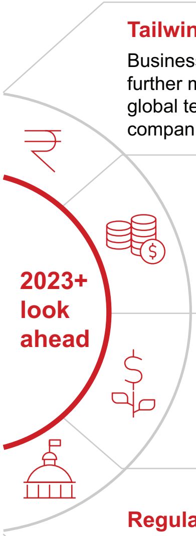
- **4x** — **Growth in secondary exits value** to ~$7B in 2022 from ~$1.5B per year in early 2010s, enabled by wider investor pool
- **7x** — **Growth in strategic exits value** from ~$1B per year in 2010s to ~$7B in 2020s; with 5 large $1B+ acquisitions
- **Up to 9x** — **MOIC realisations in short time-frames** on large deals >$500M for top GPs (KKR-Max, Carlyle-SBI Card, Blackstone-Aakash, etc.)
- **10x—20x** — **Increase in asset valuations** across investment cycles with value capture for series of investors (e.g., Hexaware, SBI Life)

Key enablers

Large and growing consumption opportunity fueled by rising per capita incomes ($5,000 by 2031) and expanding affluent middle class (200M+ HH)	**Strong digital infrastructure** driven by scaled internet penetration (700M+) and public infra (e.g., UPI, electronic health records)	**Policy enablers** to clarify start-up landscape (e.g., SEBI AIF framework) and scale workplace to the world (e.g., PLIs)	**Burgeoning start-up ecosystem** with ~90K+ registered start-ups (2x vs. 2021) to drive innovation

Note: Top GPs include KKR, Carlyle, Blackstone, Kedaara, Advent, and Bain Capital
Source: Bain & Company

Figure 32: 2023 is expected to be a year of cautious optimism across stakeholders, with a continued push to bolster the ecosystem despite global headwinds



Tailwinds for select sectors

Businesses focused on consumption will continue to grow given robust domestic demand (e.g., healthcare, consumer/retail); further manufacturing sectors, especially in pharma, electronics, textiles, to gain from China + 1 tailwinds; additionally, India for global tech services/SaaS firms focused enhancing automation and optimising costs likely to attract investor interest as companies look for ways to bolster margins

Shift in shape of deal flow

As buyouts remain harder to come by, add-ons, take-privates, and corporate carve-outs are likely to attract investor interest; megadeals are likely to remain muted given liquidity crunch and valuation mismatch, but small-to-mid-sized deal activity is likely to consolidate

Investors eye value

Focus on unit economics and core business performance given criticality of cash conservation will persist with interest, and investment into value creation amongst investors will grow as they reassess and realign strategy for their portfolio companies and the pace of deal activity remains slow

Regulator continues to sandbox innovation

Regulatory oversight to continue with aim of clarifying landscape (e.g., SEBI's valuation framework); however, some headwinds from stringent taxation (e.g., sustained long-term capital gains tax)

Source: Bain & Company

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