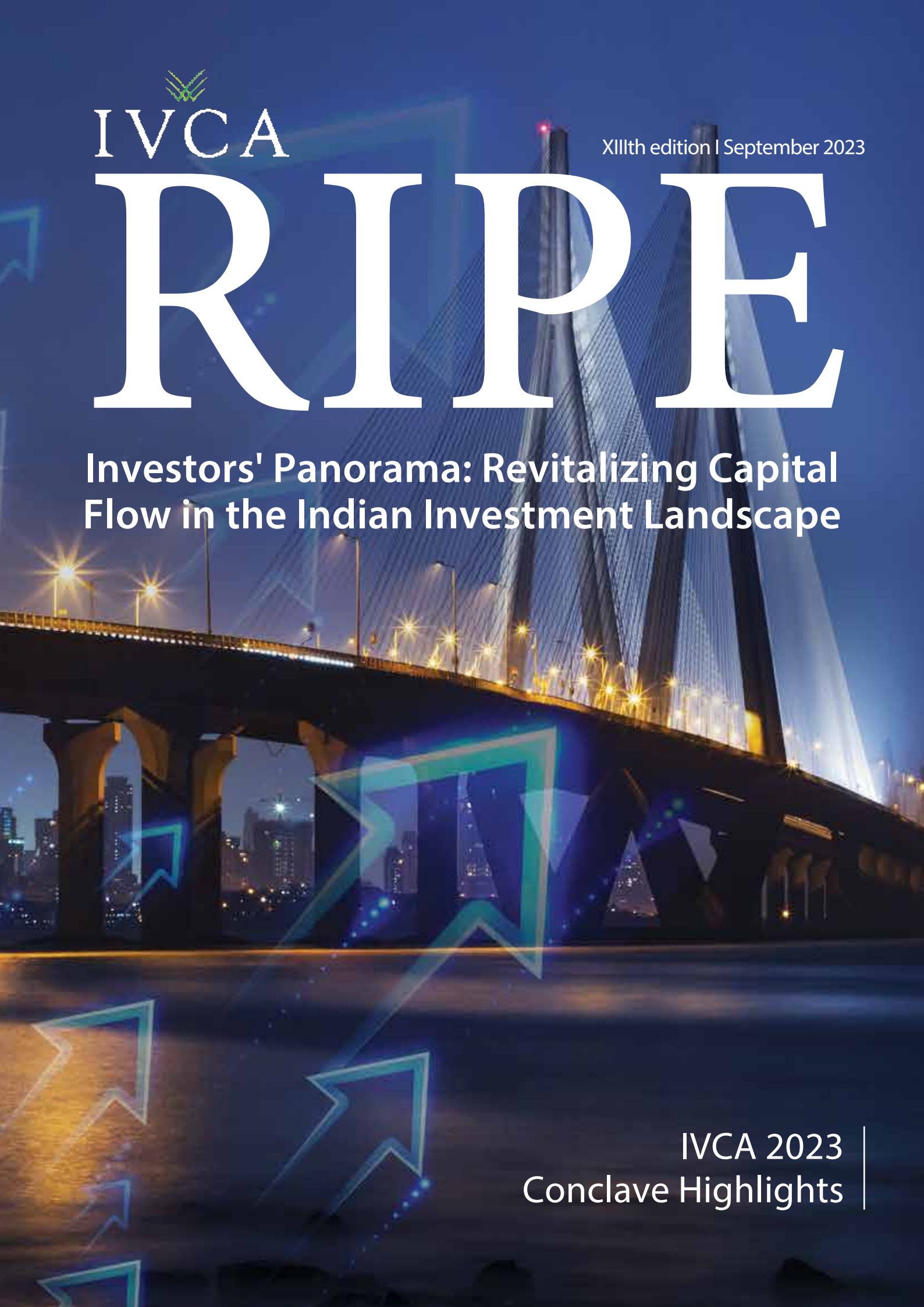


IVCA

RIPE

XIIIth edition I September 2023

Investors' Panorama: Revitalizing Capital Flow in the Indian Investment Landscape

IVCA 2023
Conclave Highlights

TABLE OF CONTENT



Chairperson's Note 03

President's Note 04

Demystifying ESG: Masterclass for Fund Managers 11

Analysing Key Market Allocations: Fireside Chat 15

Keynote Address by Shri Debasish Panda, Chairman, IRDAI: The Revamping of the Insurance Sector 17

The Changing Dynamics of LP Allocations: Panel Discussion 21

Trends and Strategies for PE Investing in India: Panel Discussion 23

A Resilient India in a Turbulent World: Keynote Address 27

Climate Investing: Leading the Way for the World: Panel Discussion 29

Racing Ahead with Narain Karthikeyan: Fireside Chat 33

The Rise of Venture Debt Market in India: Panel Discussion 35

Keynote Address by Shri Anurag Jain, Secretary, DPIIT: India's Growth Drivers 37

VC Investments in India – Keeping up the Momentum: Panel Discussion 39

International Financial Services Centres Authority (IFSCA): Fireside Chat 45

IFSC: Creating New Destination for Funds: Panel Discussion 47





Keynote Address by Shri S Ramann, Chairman and MD, SIDBI: Responsibility and Accountability Go Together 51

The Strategic Partner- Indian Fund of Funds Ecosystem: Panel Discussion 53

Leadership and Spirituality: Special Session 58

The Present and Future of Private Equity and Venture Capital in India: Opening Address 59

Of Deployments and Strategies for India: Fireside Chat 63

ESG in PropTech: Special Session 65

Private Equity in India's Real Estate: What's Working, What's Not?: Panel Discussion 69

Private Credit: Solution Capital to the Funding Gap: Panel Discussion 73

PE/VC Outlook for 2023 and Beyond: Special Session 77

Expanding the Horizon: Alternate Avenues for Domestic Investors: Panel Discussion 79

Creating a Robust Healthcare System and Opportunities Ahead: Panel Discussion 81

Debunking the Myths of Category 3 Funds in India: Fireside Chat 85

Fireside Chat with Shri Ananth Narayan Gopalakrishnan, Whole-Time Member, SEBI 87

Indian Infrastructure Opportunity: Investing for the Future: Panel Discussion 91

Supporting Fund Managers with End-to-End Services: Special Session 93



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Exits: Creating Records in Value Creation: Panel Discussion 95

Venture Debt Report by Stride Ventures: Report Launch 99

IVCA - EY PE/VC Agenda - India Trend Book 2023: Report launch 100

Trifecta Capital - BCG Venture Debt Report: Report Launch 104

EY - Peer Capital E-Commerce and Consumer Internet Sector - India Trend Book 2023: Report Launch 105

India PE-VC Investments Landscape 2022: Panel Discussion 107

Celebrating Triumphs: The IVCA PE/VC Awards 2023 111

Celebrating Maximum India: IVCA MIC Curtain Raiser 115

Sunil Kant Munjal: Special Address 119

Impact Investing: Challenges and Solutions: Fireside chat 121

LP Views on LP-GP Communications, Due Diligence and More: Panel Discussion 123

Keynote address by Shri Jayant Sinha, Chairperson, Parliamentary Standing Committee on Finance: Achieving Net Zero Emissions 127

Climate Investing: High Impact Strategies for Sustainable Solutions: Special Address 131

Tech Investments in 3rd Largest Startup Ecosystem: 2022 in Review and Outlook for 2023: Panel Discussion 133

India Rising: Local Business, Global Impact: Fireside chat 137

A Green Gesture: Planting the Seeds of Sustainability at IVCA Conclave 2023 139

IVCA Conclave 2023 in News 141

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CHAIRPERSON'S NOTE



Kartik Reddy, Chairperson, IVCA & Co-founder and Managing Partner, Blume Ventures

Dear Members,

In recent years, the Indian economy has emerged as a powerhouse of innovation, attracting both domestic and international investors who recognize its immense potential. The Indian Alternate Capital ecosystem continues to thrive, fostering a dynamic environment for startups, scale-ups, and established businesses. Our industry has soared to new heights, establishing itself as a prominent provider of capital and expertise. Indian companies have attracted significant PE/VC investments, leading to the birth of numerous unicorns. Additionally, India proudly boasts a substantial number of Alternative Investment Funds (AIFs) schemes, commanding substantial capital commitments.

We owe this success to the extraordinary commitment and vision demonstrated by our Government, led by the Honorable Prime Minister and Finance Minister. Their responsiveness and engagement, coupled with the trust we place in regulators and policymakers, have united us in our mission to position India as the global hub for fund management.

India's share of private capital investments in the Asia-Pacific region has witnessed a remarkable upsurge. Amidst global uncertainties, India shines brightly, attracting a diverse range of discerning investors, including global Limited Partners (LPs), domestic institutional LPs, corporate investors, government-sponsored fund-of-funds, family offices, and others.

IVCA, as the driving force behind the maturing alternate capital industry in India, has undertaken several initiatives to empower the alternate capital ecosystem and promote entrepreneurship and innovation. Our Nation Building Report showcases the significant contribution of the alternate capital industry in India's growth story. The Startup Governance Playbook, launched in collaboration with Deloitte, promotes good governance for startups. Our #VC101 program empowers first-time fund managers, and the IVCA-ISB program focuses on developing a world-class experience for senior fund managers.

Policy advocacy plays a crucial role in shaping the industry's environment, and IVCA has been actively engaged with the regulators and Government bodies in representing our members' interests. We aim to mobilize pools of capital, create a favourable regulatory environment, and drive positive change for the industry.

As Chairperson, I express my sincere appreciation to the IVCA Co-Chairperson and the IVCA Executive Committee for their contributions. Together, we remain committed to introducing new initiatives, fostering collaboration, and supporting the industry's growth.

At IVCA, we are steadfast in our commitment to nurturing and supporting the alternate capitalecosystem. By facilitating the creation of capital pools, fostering innovation, and driving sustainable economic growth, we believe that together, we can unlock India's full potential and create a brighter future for all.

Warm regards,
Karthik Reddy
Chairperson, IVCA

PRESIDENT'S NOTE



Rajat Tandon, President, IVCA

Dear Members,

I am writing to extend my heartfelt appreciation for your unwavering support and dedication, which, together with the strong backing from our esteemed Chairperson, Co-Chairperson and the Executive Committee, has propelled us to achieve remarkable milestones this past year. As an association driven by its members, our collective efforts have led to significant accomplishments, aimed at building trust and establishing authority within the ecosystem, while fostering growth in the alternate capital industry. I am thrilled to share the progress we have achieved together throughout this year.

Onshoring the Offshore:

We have made significant strides towards onshoring offshore investments in India. We have sought a meeting with the Hon'ble Prime Minister of India to present the Nation Building Report, highlighting the pivotal role played by PE/VC in India's economic advancement. Additionally, in collaboration with SVCA, we hosted the "Maximizing India Opportunity" session in Singapore, attracting over 40 investors keen to explore India's rising potential. Furthermore, the upcoming IVCA Climate and Sustainability Conference event will not only showcase India's dedication to sustainable development but also provide a significant opportunity to attract green investments to our shores.

Membership:

IVCA now proudly represents 44% of the SEBI registered AIFs, with a membership of 305 firms as of July 2023. Our diverse member base includes Private Equity (30%), Venture Capital (49%), Credit Funds (10%), and LPsand Family Offices (11%). Furthermore, 68% of our members are domestic, while 32% represent the global investment community.

Advocacy:

IVCA has solidified its position as the principal association in engagement with the regulators and Government bodies. This past year, our advocacy efforts and deep engagements have facilitated an environment conducive to substantial growth of the alternate asset industry. Our recommendations led to the formation of an expert committee, headed by former SEBI chairman M. Damodaran, to scale up Venture and Alternate Capital investments. We also collaborated with NABARD to create an FOF focused on rural and agricultural economies. Moreover, our persistent efforts resulted in changes to IRDAI guidelines and the removal of mandatory SPV creation for Private Equity Investments.

In a momentous achievement, SEBI has issued a circular introducing a Regulatory Framework that allows PE funds to sponsor Mutual Fund Asset Management Companies (AMCs). This long-standing ask of IVCA has now been realized, and we firmly believe that this new framework will unlock new avenues and opportunities for our industry, paving the way for further growth and innovation.

In addition, our interactions with SEBI have led to the formation of 3 AIPAC working groups:

Regulatory Tech, Perpetual Capital Vehicle, and Accreditation of Investors, along with 16 regulatory changes.
Furthermore, our engagement with the IFSCA has been instrumental in mobilizing industry views to draft the Fund Management Entity (FME) regulations, 2022. Additionaly, we actively promoted performance benchmarking within the industry, enabling segment-wise reporting for performance benchmarking. IVCA also proposed a FOF/ blended finance model for sunrise sectors to mitigate risks and encourage investments.
We organized a roundtable with CBDT to discuss the angel tax issue and actively engaged with the Parliamentary committee to discuss the SVB crisis and its implications for India's economic landscape.

Resource Expansion and Strategic Collaborations:

In response to the dynamic growth of our industry and in alignment with our mission, we have strategically expanded our Venture Capital team and Marketing Communication team. In addition, we are proud to announce the upcoming IVCA Research and Data hub, which will be a pivotal centre for industry research efforts. Furthermore, we have established valuable collaborations with policy specialty advocacy firms, enabling us to strengthen our collective voice and influence policy decisions.

Implementing Self-Regulation:

IVCA is resolute in its commitment to implementing self-regulation for the industry. As part of this commitment, IVCA is will introduce the Self Monitoring & Reporting (SMARt) initiative, which aims to promote a robust code of conduct and a comprehensive reporting structure. This initiative is geared towards fostering transparency, accountability, and investor confidence in India's rapidly expanding alternate investment space.
As we look ahead, I have full confidence that our collective efforts and steadfast commitment will pave the way for even greater achievements in the coming year. Together, we will continue to shape a vibrant and prosperous future for the alternate capital industry in India.

Sincerely,
Rajat Tandon
President, IVCA

Esteemed Government Dignitaries of IVCA Conclave 2023



Shri Jayant Sinha
Chairperson,
Parliamentary Standing
Committee on Finance



Shri Anurag Jain
Secretary,
Department for Promotion of
Industry and Internal Trade (DPIIT)



Shri Ananth Narayan Gopalakrishnan
Whole Time Member,
Securities and Exchange Board
of India (SEBI)



Shri Debasish Panda
Chairman,
Insurance Regulatory and
Development Authority of India (IRDAI)



Shri S. Ramann
Chairman & Managing Director,
SIDBI



Shri Satya Prakash Singh
Chief General Manager,
Small Industries Development
Bank of India (SIDBI)

We express our heartfelt gratitude to the esteemed government dignitaries for their presence and support at the **IVCA Conclave 2023**. Their invaluable insights and unwavering commitment to fostering the growth of the alternate asset industry have been instrumental in shaping a thriving innovation ecosystem in India. We extend our sincere appreciation for their continued partnership in empowering entrepreneurs and driving economic progress through strategic investments and robust policies. Together, we look forward to further advancing the alternate asset industry and creating a prosperous future for all stakeholders involved.



IVCA Conc

The IVCA Conclave 2023 was the shining highlight of th
from 365 unique funds. Over 650 delegates attended, w
Private Equity, and 32% Venture Capital. Notably, the co
professionals with 27% of speakers and

Amplifying the theme of 'Maximum India,' the #MIC curt
tone for engaging panel discussions that explored
Communications, while the Investor Premium League
industry profe

lave 2023

e year, witnessing registration from 805 delegates with 19% representing LPs and Family Offices, 23% onference saw increased representation of women d 37% of delegates being women.

tain raiser event preceded the Conclave, setting the d critical topics like LP Allocations and LP-GP Cricket tournament fostered camaraderie among essionals.



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Demystifying ESG: Masterclass for Fund Managers

Environmental, Social, and Governance (ESG) metrics have become increasingly important for investors in evaluating the long-term success and sustainability of companies. ESG factors consider the impact of a company's operations on the environment, its relationships with stakeholders, and the quality of its governance practices. While ESG used to be considered a niche concern, it has now become a mainstream metric, with a growing number of investors incorporating it into their investment strategies. Corporates nowadays view ESG as a way to demonstrate a commitment to sustainability and corporate responsibility. This commitment can help companies attract and retain customers, employees, and investors who prioritize these values.

However, ESG can be complex for fund managers to navigate. With a growing number of ESG ratings and frameworks, it can be challenging to know which factors to focus on and how to integrate them into investment decisions. The panel discussion provided insights and best practices for fund managers looking to incorporate ESG into their investment strategies.



(From left to right) Ekta Ganotra, Sowmya Suryanarayanan, Santosh Singh Deepak Kumar

Intersection of ESG and Investments

Santosh Singh, Partner and Managing Director, Intellecap, talked about how ESG is nowadays factored into investment business analysis to mitigate long-term risks and create value. Frameworks are used to factor in emerging issues and minimize risk, which leads to standards and ratings by agencies. He cautioned against relying solely on ratings as a single element can have a significant impact on values.

To truly take advantage of ESG, one must understand how it creates value. It creates value by reducing risk and increasing business resilience, providing better access to capital pools, and improving returns. ESG helps improve financial performance, risk management, talent acquisition, and innovation in businesses. Investment funds today need to have an ESMS (ESG management strategy) that includes understanding ESG, communicating ESG reporting, and having relevant roles and responsibilities.

Furthering the discussion on ESMS, Deepak Kumar, Executive – ESG Impact, British International Investment (BII), mentioned how ESMS systems are evolving, with investors and portfolio managers now understanding and prioritizing both risk mitigation and value creation. Regulatory requirements are evolving to avoid green washing, and companies are increasingly focusing on managing their social license to operate. He added how resource management plays a key role, as optimizing operations can improve profits and reputation, and increase market

position. While ESG began with a focus on risk mitigation, value creation is becoming more important. However, a thin line exists between the two, and it's important to manage risks effectively while still creating value.

Avoiding Pitfalls of ESG Investing

Investing in companies that have even the most robust ESG initiatives is not free from risk.

Sowmya Suryanarayanan highlighted the importance of incorporating ESG in investment processes. She emphasized the need for both the ESG team and investment team to interact and identify material risks of the company. She also suggested considering the stage of the company's life cycle and working with them to institutionalize ESG within the business to prepare for future exits.

Ekta Ganotra, Associate, British International Investment (BII), had five key messages for investors. The first message was that investors now expect a dynamic risk assessment approach, rather than a simple compliance tick-box approach. Secondly, she advised that investors need to demonstrate proportionate BI management systems that work well for them. The third message was the need for a risk-based approach to due diligence and portfolio monitoring to understand the integrity risks in the portfolio. The fourth was to have effective risk governance, which means discussing integrity risk and assigning responsibility for tracking it regularly. Finally, she said that investors must support best practices in governance in the portfolio by driving a culture of ethics and transparency in businesses.

These key messages capped off an enriching discussion about ESG and how fund managers can best leverage it to their advantage.

The Experts Speak

Santosh Singh

“In ESG, impact is the destination and think of business as a vehicle driving toward that destination. The way you drive ESG and how careful you are defines your risk of the vehicle getting completely destroyed. So, ESG gives you an idea of how to navigate the business properly and I think from an outcome perspective, impact is always intentional.”

Deepak Kumar

“ The early stage in ESG is about reactive compliance where when there is a requirement from the government, we start complying things, we start reporting things, managing things. Then over a period of time it became more regulatory focused when India became the first country to have a CSR focused regulation. ”

Sowmya Suryanarayanan

“You need to work with the companies and understand what stage they are in their life cycle. Whether they're early stage or mid-growth stage will dictate how you can work with them to institutionalize ESG within the entire business.”

Ekta Ganotra

“ I think the biggest thing that investors really care about is your alignment and your buy-in to really move the needle from early stage compliance to risk management as value creation.”

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Analysing Key Market Allocations

In today's volatile market conditions, an all-weather portfolio is a must. Such an investment portfolio is designed to perform well in various economic conditions, such as bull or bear markets, inflationary or deflationary environments, and stable or volatile markets. It is based on the principle of diversification, which involves allocating investments across different asset classes, such as stocks, bonds, commodities, and real estate, with the aim of minimizing risk and maximizing returns over the long term. A fireside chat with industry leaders brought forth such solutions and more for investing in today's market conditions.

The discussion started with the speakers taking the example of Ontario Teachers' Pension Plan (OTPP) in Canada to highlight the importance of asset allocation in creating an all-weather portfolio. OTPP manages a $240 billion pot for 300,000 teachers in Canada. Manish Kejriwal, Managing Partner and Founder of Kedara Capital, spoke about how OTPP takes care of teachers' pensions, ensuring they have more money than they need when they retire, and how their investment approach differs from the American model. Deepak Dara explained that OTPP collaborates with global asset managers to build a robust portfolio. He shared how they have progressed from allocating capital to general partners to direct investment in certain asset classes and countries, with a long-term investment horizon.



(From left to right) Manish Kejriwal, Managing Partner and Founder, Kedaara Capital
Deepak Dara, Senior Managing Director and Head of India, Ontario Teachers' Pension Plan (OTPP)
Renuka Ramnath, Founder, Managing Director And Ceo, Multiples Alternative Asset Management

Manish Kejriwal

"If the holding period is relatively infinite and there is a good return coming, it's better to stay invested rather than have a reinvestment."

Analysing Key Market Allocations



(From left to right) Manish Kejriwal, Managing Partner and Founder, Kedaara Capital
Deepak Dara, Senior Managing Director and Head of India, Ontario Teachers' Pension Plan (OTPP)

Deepak Dara

" It's extremely important to surround ourselves with people who know the market directly as well as having the right partners. There are nuances you don't pick up in the market unless you actually have seen cycles in the market which can lead to false starts. **"**

Deepak also emphasized the importance of partnerships, particularly co-investing, and working with teams that involve them early on in the investment process. He mentioned that in private equity, he focuses on IT services, healthcare services, and financial services, with a minimum check size of $300 million for control transactions and $150 million for co-control. While charting out his investment strategy for different segments, he noted that he follows a direct investment strategy in infrastructure, except when entering new markets. For venture growth, he looks for earlier-stage GPs to create a pipeline for direct investments, focusing on cities A and B investors. In real estate, he focuses on performing office, logistics, and data centers.

The speakers also highlighted the importance of understanding the nuances of the Indian market before making investment decisions. They believe that India offers a good investment opportunity, but diversification remains key to avoid common market pitfalls. Deepak Dara stated that India has progressed tremendously over the last decade, with the government providing policy stability that is important for long-term investors. He spoke about how the regulatory ecosystem has accelerated in the last four years, and the tech ecosystem has expanded significantly.

The discussion concluded with agreement that there is a lot of hope for India's future and, as a result, investors as long as regulatory and political stability are maintained.

The Revamping of the Insurance Sector

"The financial sector is evolving both globally and within India. It is truly heartening to see the remarkable progress we are making as an economy, particularly in terms of technology and digitization. These developments provide immense opportunities for the insurance sector to thrive.

Despite facing various challenges such as the pandemic and geopolitical developments, India has shown resilience and perseverance. We take great pride in being the fifth-largest economy in the world and are on track to soon becoming the third-largest. The fact that top leaders, business executives, and multilateral agencies are all recognizing India as a bright spot and a focal point for domestic and global investors is truly encouraging.These accomplishments underscore the immense potential and opportunities that exist within the insurance sector.

The insurance industry in India is currently undergoing a significant transformation, with a shift towards a risk-based supervision framework, as opposed to a compliance-based method. This new framework will provide a 360-degree view of the risks that insurance companies are carrying, accounting for external factors and different types of risks, including management, operational, liquidity, business, and capital risks.

To support this framework, the regulatory sandbox regulations have been revamped, providing more room for experimentation and breakthrough products and processes in the sector. The sandbox will no longer function on a cohort basis, but rather on a continuous basis, allowing for any application to be filed at any time. Additionally, a new committee is in place to review applications, ensuring that the process is timely and transparent. The goal is to encourage the technology sector to offer



Shri Debasish Panda, Chairman, IRDAI

end-to-end insurance solutions and optimize the strength of the insurance information bureau.

The Indian insurance industry is also looking to converge with the International Financial Reporting Standards (IFRS) and is closely working with regulators in the banking industry to ensure a smooth transition. In addition, new risk coverages have been introduced, such as surety bonds, trade credit insurance, and title insurance, and there are ongoing efforts to introduce new products based on market needs, including long-term products for property and motor P&I clubs, insurance for the warehousing sector, non-performance insurance, and more.

The Revamping of the Insurance Sector

To support the industry in a more efficient and participative manner, two self-regulating organizations for the life and non-life sectors, the Life Insurance Council and The General Insurance Council, are gearing up. They can act as strong agents in spreading awareness and facilitating insurance penetration. Proposed amendments to the Insurance Act aim to create a more robust and supportive insurance landscape, providing choice, flexibility, and innovation in the process. The amendments could lead to the introduction of new players in the form of micro, captive, regional, and specialized composite insurance companies, catering to the different needs of the population. The amendments also propose various value-added services coupled with insurance plans and more flexibility in investments, resulting in faster adaptation to market dynamics.

Insurers will soon be able to harness the power of data analytics and quantum computers to efficiently handle vast datasets from various sources, revolutionizing risk modeling and decision-making processes. We are heading towards a programmable and personalized world. Millennials and Gen Z want everything on a tap and it has to be flexible. So both in terms of what is covered and how they pay it they are looking for products that they can customize suited to their specific needs. Change is also coming from a very non-millennial cohort that is the older people who are living longer and expecting more out of their retirement. The world's population is aging as a result of higher living standards and advancements in medical research and that's posing a new financial and Care challenge. There is a need to create more flexible retirement plans for an evolving later life environment. Most policyholders today want a DIY - do it yourself or a self-service approach to determine the best personalized option accessible to them.

Overall, the changes taking place in the Indian insurance industry are aimed at making the market more attractive to investors and customers alike. The regulatory framework is being modernized to foster innovation and enhance the customer experience, while also ensuring that the industry operates in a safe and sustainable manner. With more capital being infused into insurtechs and insurance companies, we can expect to see even more exciting developments in the Indian insurance market in the years to come.

> I consider the investors as a major force in building and influencing the future. I would like to congratulate the IVCA for its excellent work in bringing together the investor community

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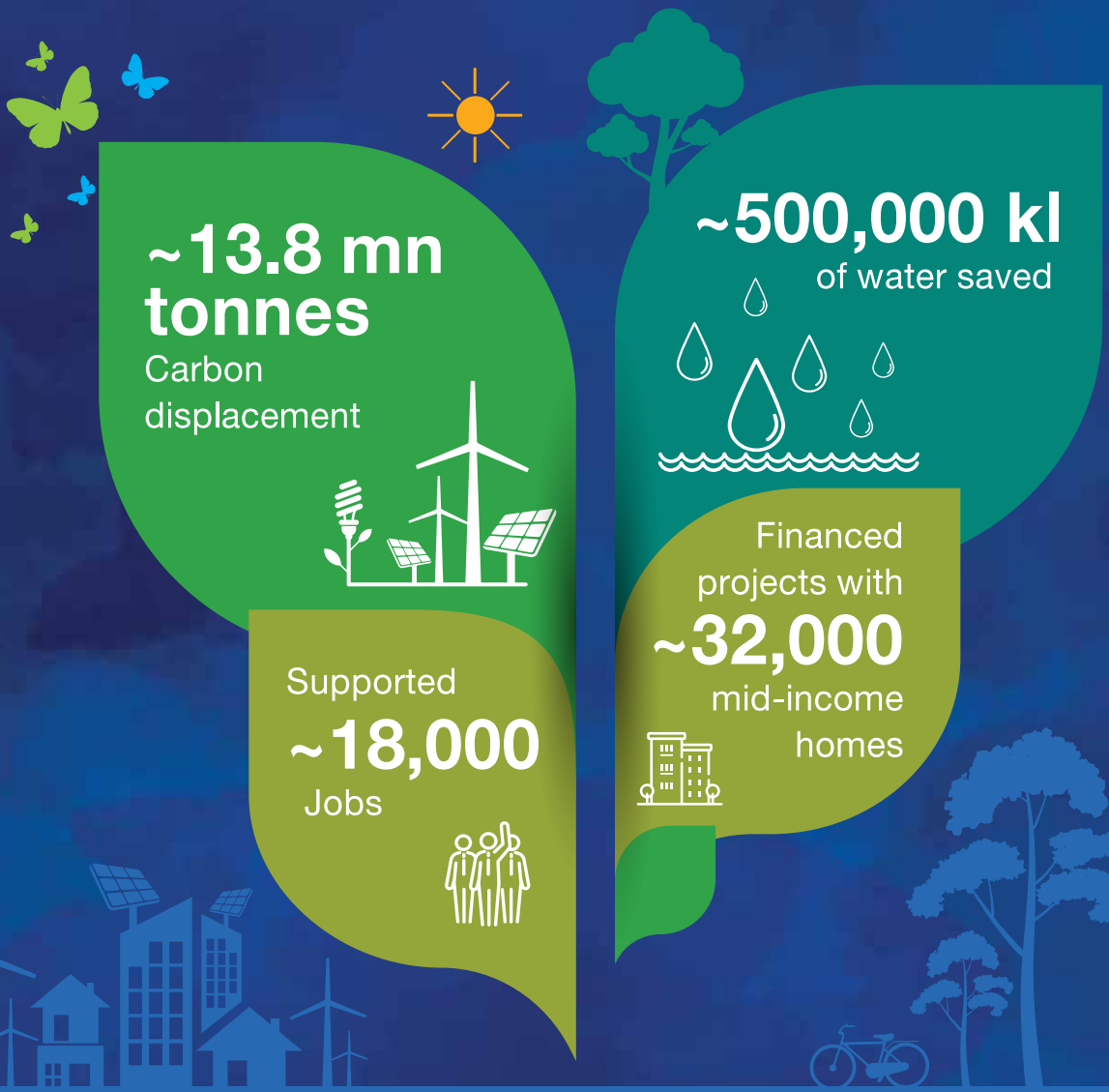
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The Changing Dynamics of LP Allocations

The private equity industry in India has been growing at an unprecedented pace over the past few years, with significant contributions to the country's economy. As the industry continues to expand, the allocation of limited partner (LP) investments has become a topic of discussion and debate among industry leaders and experts.

Understanding India's place in the global economy

Pratibha Jain, Head of Strategy and Group General Counsel, Everstone Group began the discussion by asking whether the buzz surrounding India would convert into actual deployment on the ground. Siddharth Jhunjhunwala, Executive Director and Head of the Fund of Funds, Waterfield Advisors mentioned that since China is looking to reduce its exposure, a lot of capital is coming into Asian countries indirectly. Neha Grover, South Asia Lead, Private Equity, International Finance Corporation (IFC), added that the LP allocations are dependent on who the LPs looking at India are, what sort of investments they want to make, and whether they are in it for the returns or some other reason. Jhunjhunwala added that while the excitement among Asian LPs is high and conversions are happening, American LPs continue to be colored by their beliefs about Asian countries from 20 years ago. He also mentioned that investments from US LPs will happen slowly. The panel, however, agreed that India is in a good place in terms of LP allocations, and the LPs' focus on themes like climate and sustainability bodes well for the country's future.



(From Left To Right) Chirantan Patnaik, Pratibha Jai, Anita Marangoly George, Pavan Gupte, Neha Grover, Siddharth Jhunjhunwala

Anita Marangoly George, Co-Founder, Edhina, built upon the discussion by adding that although there is interest in climate investing in India, geopolitical realities such as the US's focus on green subsidies and Europe's acceleration of energy transition have detracted from capital that could have been invested in India. However, she also highlighted that large family offices in the US, such as Creo, are slowly transitioning towards investing in emerging markets as they recognize the need to address climate change globally.

The panel also highlighted how domestic LPs in India are moving slightly away from VC funding towards private equity, particularly pre-IPO. However, they noted that this may simply be a shift in general appetites, and that sophisticated investors still have appetite across different strategies based on their risk-return preferences. The panel concluded by saying that India is in the right spot in the global economy and investors are curious to know more about the market.

The Experts Speak

Anita Marangoly George

“Gone are the days when people were to have a lower return in favor of increased social impact. I think everybody who's in this business realizes that things can only scale when the business is profitable. This realization is becoming more mainstream.”

Chirantan Patnaik

“Global endowment funds are on the rise. But we need to find the yield for which we need quality managers. Luckily, that’s something we're finding in India so it is clearly a very good time to be raising.”

Neha Grover

“Knowing your LPs and knowing what they require, what is their strategic fit, is critical for success.”





(From Left To Right) Pratibha Jain, Chirantan Patnaik, Pavan Gupte, Anita Marangoly George, Neha Grover, Siddharth Jhunjhunwala

Pavan Gupte

“The sophistication of investor pools is getting narrower and more focused. Knowing what they want more of or where the gaps in the portfolio are becomes crucial as a result.”

Pratibha Jain

“ESG used to be a buzzword and now ESG is the base. Impact is pretty much mainstream now in terms of returns and technology is the base for everything.”

Siddharth Jhunjhunwala

“It's high time that the domestic pool of capital becomes sophisticated and thinks through about how they need to construct their portfolio, vintage management, vintage alignment, pipelines etc. I don't think that pool of capital is there yet.”

Trends and strategies for PE Investing in India

PE investing in India has been growing steadily over the years. The increase in investments can be attributed to the country's strong economic growth, favorable demographics, and increasing investor confidence. The panel, composed of industry leaders and experienced fund managers, dove deeper into the PE investing landscape in India and also suggested best practices to be followed. The panelists discussed the changing environment and how PE has raised much-needed capital for India and provided wings to Indian entrepreneurs. The panel highlighted that with a plethora of capital available globally and in India, it is an excellent time for private equity investing.

Need for Cautious Optimism

Sanjay Gujral, Chief Business Officer, Everstone Group, agreed that India is looking attractive, but warned against getting carried away with the euphoria. However, the Indian ecosystem is slowly maturing and can now deal with increased capital flows. Sudhir Variyar, Managing Director, Multiples Alternate Asset Management noted that India's position is getting stronger because there is infrastructure, digitization, a significant alignment of forces, a strong entrepreneurial culture, and the availability of capital. Growth is set to be sustainable and India's size and breadth of opportunities make it attractive for capital deployment. Shivani Bhasin Sachdeva, Founder and CEO, India Alternatives Investment Advisors, advised that people should not try to time the market, instead, they should stay invested for the long term, have a diversified portfolio, and avoid chasing quick returns.

Importance of Well-timed Exits

Sanjay Kukreja, Partner and CIO, ChrysCapital, shared insights on what his company has learned over its 23 years in the industry. He noted that Chrys Capital has made over 100 investments and achieved 78 exits, reaching over $6.5bn in realizations. Exits are becoming mainstream in the industry and that India's success in delivering strong exits is apparent. From their experiences, Chrys Capital learned that it is as essential to avoid poor investments as it is to invest in good ones. He broke up the lessons into three categories: poor franchises, poor governance, and investing against technology. He emphasized that high return capital businesses are critical in generating business success in any industry.

Manish Kejriwal, Managing Partner & Founder, Kedaara Capital, echoed these sentiments by highlighting the importance of institutionalizing the culture of dissent within firms to enable them to evolve over time and



(From Left To Right) Jayanta Basu, Manish Kejriwal, Sanjay Gujral, Sanjay Kukreja, Shivani Bhasin Sachdeva

add value in different situations. He agreed that the focus should be on exits, which defines ESG maturity. Sanjay added that ESG is not a cost, but rather a tool for value creation.
The panel discussion concluded with the panelists participating in a rapid-fire round where they shared their interests for investment perspectives over the next 12 to 24 months. These interests included financial services, climate, fem tech and women's health, and the green economy.

The Experts Speak

Sanjay Kukreja
“Our single biggest job as fund managers is to navigate the cycles and down the downturns well. For that, you have to have balanced shoulders and not get carried away by every trend which will make you overpay and get overexcited.”

Sudhir Variyar
“We have always talked about the India opportunity, but I think what makes it different this time around is the fact that it seems to be based on some pretty strong foundational elements.”

Jayanta Basu
“The diligence process doesn't end at doing a transaction. The diligence process continues as you evolve right through the entire life cycle of the investment.”

Gautam Mehra
“In the past we've always heard that ESG comes with a cost. Now we are beginning to see the understanding that ESG creates value.”

Sanjay Gujral
“Within our private equity business, we have gone beyond ESG. While we are not calling ourselves impact investors, we have put in place an impact management framework which is critical in today’s landscape.”

Manish Kejriwal
“I think intrinsically India has a ton of promise and eventually it's back to entrepreneurs. And it’s not just entrepreneurs in India making great companies, but it's also entrepreneurs who are leading some of the best companies in the West coast and East coast in the US.”

Shivani Bhasin Sachdeva
“The key learning from the last few years has been to invest in companies where you can exit. And remember that when the opportunity presents itself, please do exit!”

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A Resilient India in a Turbulent World



Neelkanth Mishra, Managing Director, Co-head of Equity Strategy, Asia Pacific, Head of India Securities Research, Credit Suisse

"I am incredibly optimistic about the rapid growth we are experiencing post-COVID, and let me share with you the reasons behind my enthusiasm. Firstly, let's consider the macro infrastructure. The completion of highway projects by NHAI is set to exceed 16,000 kilometers this year, and the Ministry of Transport is also working on border roads. Moreover, there are ongoing construction projects for expressways, which will significantly improve travel times. For instance, the journey from Delhi to Mumbai, which currently takes 24 hours, will be reduced to a remarkable 12 hours. These infrastructural developments are game-changers, offering more options for businesses to set up their operations and boosting exports beyond the traditional port-centric locations.

Furthermore, we cannot overlook the advancements in micro infrastructure. Access to piped water and efficient energy sources has improved significantly in recent years. This not only saves time at the individual household level but also contributes to the overall productivity of the economy. Additionally, the penetration of broadband services has surpassed expectations, paving the way for increased digital connectivity.

Another critical aspect is digitization. The integration of digital technologies is essential for the growth of our economy, especially considering our status as a lower-middle-income nation. We have witnessed a remarkable shift where private capital investment has surpassed public funding. This shift has had a profound impact, particularly for microenterprises that require relatively smaller amounts of capital to scale up. Early access to risk capital can accelerate growth significantly, enabling entrepreneurs to seize opportunities and propel their businesses forward.

Also, we cannot underestimate the significance of the real estate cycle. The recent turnaround in this sector is often overlooked but has had a profound impact on the Indian economy. As the number of households grows, there is an increasing demand for housing. For perspective, the average square footage per person in India is merely 100, compared to 700 in the United States and 550 in China. This highlights the immense potential for growth in the real estate sector, and as we witness price increases and improved affordability, the industry's contribution to GDP growth will be substantial.

A Resilient India in a Turbulent World

In addition to these positive developments, India's manufacturing sector is experiencing remarkable progress. Industries such as mobile phone exports, chemicals, auto components, and even Apple production are witnessing significant growth. The forecasts for these sectors are promising, with substantial increases anticipated over the coming years.

Furthermore, our tax compliance and formalization efforts are yielding positive results. Both the GST-to-GDP ratio and direct tax contributions as a percentage of GDP have increased, indicating greater tax compliance and economic formalization. This is crucial for the country's development, akin to a housing society where higher maintenance charges lead to improved upkeep. It is important to note that these positive changes are not limited to the central government but also extend to state governments.

While I remain incredibly optimistic about the growth trajectory of our nation, we must acknowledge the challenges that lie ahead in the next 12 to 24 months. Our exports may face a significant decline compared to imports, potentially leading to a balance of payments deficit. It is crucial for us to address this imbalance and find sustainable solutions to ensure a balanced and robust economy.
In conclusion, I am confident that the combination of macro and micro infrastructure advancements, digitization, access to risk capital, real estate sector growth, manufacturing progress, and improved tax compliance will drive our economy towards a faster and more sustainable growth trajectory. Let us embrace these opportunities and overcome the challenges to unlock India's full potential on the global stage.

> Economists like me who've been tracking the economy for many, many years- we had almost given up on India's manufacturing skillsets. Guess what, we have now started to show remarkable progress!

Climate Investing: Leading the Way for the World

Climate investing is an increasingly popular strategy for investors looking to both generate returns and have a positive impact on the environment. It can take many forms, from investing in renewable energy projects and sustainable agriculture to supporting companies that are working to reduce their carbon footprint or developing innovative technologies to combat climate change. The goal of climate investing is not only to achieve financial returns but also to contribute to a more sustainable and resilient future for the planet. A panel of industry leaders and experts discussed the landscape of climate investing as it is likely to become a critical component of many investors' portfolios.

India's Place in Climate Investing

Dhruba Purkayastha, India Director, Climate Policy Initiative & Director, USICEF, pointed out that India is a shining investment opportunity in climate for the emerging world. Although India is one of the largest emitters, it is one of the lowest emitters per capita. India has shown its compliance with Prime Minister Modi's policies such as panchamrit and revising NDC. The investment opportunities in climate are a spectrum that is essentially public policy-led, from renewable energy or solar, battery storage, EVs, hydrogen, and the entire supply chain.



(From Left To Right) Dhanpal Jhaveri, Karan Mohla, Cate Ambrose, Anjali Bansal, Gaurav Kapoor, Vikram Raju, Dhruba Purkayastha

Vikram Raju, Managing Director and Head of Climate Investing - Private Credit & Equity, Morgan Stanley, noted that climate investing is an attractive and important investment theme due to the urgency of hitting the world's most important climate goal of limiting the Earth's warming to 1.5 degrees, big money backing it up, and the fact that it is a profitable business with lots of business models and opportunities. India's unique challenge is that it is the world's largest population and fastest-growing economy, aiming to continue growing at 6-9% over the next 20 years, consuming more steel, cement, and power, which mostly comes from coal. Gaurav Kapoor, Head Capital, British High Commission, who wears both Indian and UK hats, believes that green finance, blended finance, and catalytic capital are important to help India transition into a greener economy, but it is uncertain how much capital will actually flow into India.

The Need for an Industrial Nexus

Karan Mohla, General Partner, B Capital, spoke about how innovative startups and traditional industries need to collaborate to effectively apply sustainable technology in the real world. Startups drive ground-up innovation and need risk capital, while the support and cooperation

of traditional industries are crucial to achieve a wider distribution and end usage. The climate and sustainability tech industry in India has evolved significantly in the past two years, producing a growing number of startups and entrepreneurs executing at a high pace and quality. Dhanpal Jhaveri, Vice Chairman, Everstone Group & CEO, highlighted how climate presents a technology-led opportunity for the next few decades and mentioned that general tech investors are taking an interest in climate for its potential to create large-scale commercial enterprises.

Cate Ambrose, CEO and Board Member, GPCA added that global institutional investors. despite geopolitical conflict and market complexity, are looking for long-term opportunities to put money to work. Brookfield, TPG, and General Atlantic are some examples of companies that have created climate funds to attract significant LP commitments. The panel concluded by stressing on the importance of educating LPs about energy transitions and suggesting fund managers to partner with traditional energy sources before transitioning to renewables.

The Experts Speak

Anjali Bansal
"India is on this tremendous economic growth journey over the next two decades. That's why we are sitting here in this market investing, not just because it is good for the world and it'll save the planet, but really, it'll generate a lot of good returns."

Vikram Raju
"The inflationary pressures, energy price, and the fact that you have many large corporations standing up and making net zero commitments means that everyone in their supply chain has to figure out a way to decarbonize."

Karan Mohla
"The unique thing about climate and sustainability tech is that startups doing innovative things at the ground level need to work hand in hand with corporates and the traditional industry to maximize growth."

Gaurav Kapoor
"To derive mutual benefit from climate investing, policy has to meet practice and practice has to meet policy."

Dhruba Purkayastha
"The point of policy on the global level is that India is faced with a shifting goal post. That's the key issue for the international community to solve. You can't set the goalpost and as India meets it, shift it."

Cate Ambrose
"There's enormous geopolitical conflict and complexity and the reset in interest rates and inflation. So, there's a lot of paralysis among institutional investors. Climate is the exception."

Dhanpal Jhaveri
"India has to find a novel way of investing in the climate space because we've got to be sustainable, which means we have to be making profits."

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Racing Ahead with Narain Karthikeyan

Narain Karthikeyan is an accomplished Indian motorsports driver who has achieved various accolades in his career. He was the first Asian to win the Formula Asia International Championship in 1996 and he drove for 40 races for Team India in the A1 Grand Prix, winning twice. Following his driving career, Karthikeyan co-founded Leap Green Energy, a renewable energy company. Recently, he also co-founded DriveX, India's fastest growing pre-owned mobility platform. The Padma Shri recipient discussed his growing entrepreneurial career in an engaging fireside chat.

Karthikeyan spoke about how he was exposed to various aspects of business through Formula One and therefore found the transition to entrepreneurship natural. His most recent venture, DriveX, is focused on enhancing the life of pre-owned two-wheelers and making them more sustainable, efficient and affordable through a tech-enabled refurbishment process. DriveX also repowers pre-owned electric two-wheelers, and the company is the first in the country to have such repowering centers. Karthikeyan believes that sustainability is an important factor, and therefore the company has a team working towards building sustainability into the refurbished bikes. He also sees the opportunity for DriveX to become a global platform. He also discussed the company's recent capital raise and future plans. DriveX raised a Series C round in December 2021 and a series A round in October 2022, which will help the company expand across India. Narain stated that DriveX is looking for strategic partners to solve the problems they face in the



Narain Karthikeyan, India's First Formula One Driver And Founder & Ceo, Drivex

Narain Karthikeyan

" We need to be bold. We need to take risks in whatever we are doing and it's an extremely complex puzzle that we are trying to solve.**"**

Racing Ahead with Narain Karthikeyan



(From left to right) Ashley Menezes, Vice Chairperson, IVCA And Partner & Coo, Chryscapital
Narain Karthikeyan, India's First Formula One Driver And Founder & Ceo, Drivex

current environment. He also mentioned that the company plans to grow its two-wheeler mobility business in ASEAN countries and LATAM to become the largest pre-owned two-wheeler platform in the world. Narain expects to raise additional funding in the future to achieve their expansion plans.

Narain Karthikeyan concluded by adding how his racing experience taught him to take risks and be bold, and he applies that philosophy to his entrepreneurship. However, in entrepreneurship, the risks taken are not instant like racing, and there is more time to recover.

The Rise of Venture Debt Market in India



(From Left To Right) Arun Baldwa, Ankur Bansal, Rahul Khanna, Ishpreet Gandhi, Vinod Murali, Tarana Lalwani

In recent years, India's venture debt market has witnessed significant growth, providing an alternative financing option for startups and early-stage companies. This type of financing is becoming increasingly popular among startups that are looking to raise funds without diluting equity. The panel, made up of industry leaders and experts, discussed the role of venture debt and its impact on investors as the Indian startup ecosystem grows rapidly and becomes more mature.

The Venture Debt Revolution

Tarana Lalwani, Partner, Innoven Capital, highlighted the key use case of venture debt as helping upcoming businesses raise optimal capital and build their businesses. Expanding on this, Vinod Murali stated that in the last 15 years, there has been a revolution in the venture debt asset class. Initially, venture debt was used to extend runway or provide more fuel for companies to grow faster, but over time there has been a better understanding of where to plug debt, how to use equity versus debt, and where it is best to invest. Ishpreet Gandhi added that venture debt is seen as a thoughtful way of ensuring capital is used efficiently, depending on the type of business. It was also noted that the venture debt market in India ranges from 5-7% of the total market and that founders are increasingly recognizing the usefulness of venture debt for acquisition financing and other purposes.

An Unforeseen Financial Landscape

The panel agreed that COVID-19 brought about a change in the financial landscape. During the pandemic, equity investors stepped up, companies recalibrated their burn, and venture debt providers made concessions. They saw many companies make it through and demand for equity and venture debt grew.

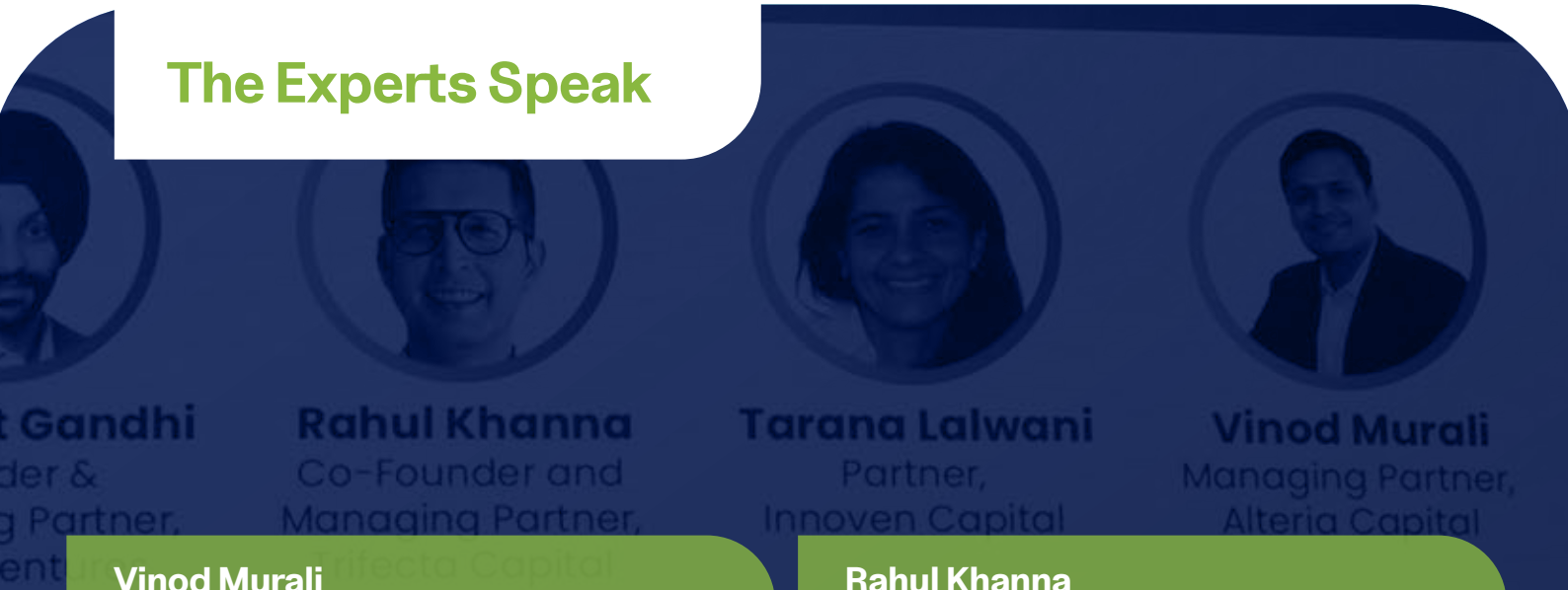
There are many stakeholders involved in the venture debt ecosystem including founders, venture capitalists, and LPs. Arun Baldtwa, Director - Private Equity, SS&C GlobeOp, sought to explain their role. He mentioned how LPs are more interested in the predictability of credit loss and expected returns. There has been a mushrooming of interest from an LP perspective over the last six, seven years because of better data, more predictable returns, and a lot more use cases. It is essential to weigh the risk elements to avoid over-leveraging and not substituting equity with debt.

Getting the Allocation Right

The enriching discussion reached its conclusion as the panel agreed that today it is less about what to expect and more about how much and the appropriate allocation with venture debt. Ishpreet Gandhi, Founder & Managing Partner, Stride Ventures, believes

that venture debt is unfortunate in the way that it is evaluated by highlighting the shorter life cycle of venture debt funds and how they are tested every month. Venture debt remains an emerging asset class with a bright future in the financial ecosystem.

The Experts Speak



Vinod Murali

“Founders today have better intelligence about where to plug debt, how to use equity versus debt, and not just take on as much equity as available.”

Rahul Khanna

“The big change I've seen over the last few years is in the past, venture debt would be an afterthought. What we are seeing now is companies raising by proactively building a debt component and an equity component.”

Tarana Lalwani

“We have a fiduciary responsibility on both sides because sometimes we go and oversell ourselves to founders to keep the venture capitalists out. It's a balancing act.”

Arun Baldwa

“Equity and debt can only run in parallel. It can't be only debt.”

Ishpreet Gandhi

“For acquisition financing in today's time when equity is not easily available, you tend to consolidate. And that's where venture debt can be very important.”

Ankur Bansal

“A lot of VCs feel venture debt is like a very straight, easy to have. You can just raise very quickly. But when the servicing part comes in, that's when they realize that it has a lot of implications on cash flows.”

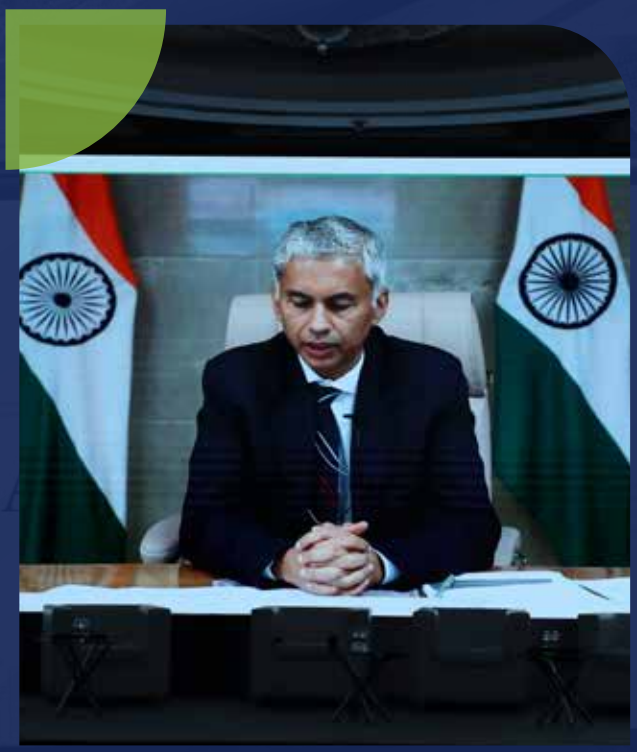
India's Growth Drivers

Shri Anurag Jain congratulated the investor community on the event and expressed his excitement about India's journey from India @ 75 to India @ 100. He discussed the vision of India becoming a developed country by 2047, with a realistic estimate of a 30 trillion dollar plus economy, potentially even becoming the second-largest economy. He also emphasized that India needs to align its efforts towards achieving this vision.

India is currently holding the presidency of G20, and although the global economy is facing twin challenges of pandemic recovery and dicey geopolitical situations, India is still seen as a bright star. The country can continue to remain the fastest-growing large economy over the next two to three decades, given the structure of the Indian democracy, a favorable demographic dividend clubbed with important governance reforms. In such an environment, startups will play a critical role in driving knowledge, innovation, and sustainability growth.

He commended India's mainstreaming of sustainability into its development agenda, stating that India has already achieved the NDCs committed for 2030 nine years ahead of schedule. India has aggressive targets for Net Zero by 2070, which will require India to work towards a sustainable future.

India's startup ecosystem has grown to be the third-largest startup ecosystem in the world in just seven years since the launch of the startup initiative in 2016. While 2021 was a high point of investment in startups, 2022 was a winter of investor funding. He clarified that global macroeconomic factors had adversely affected the investment climate in 2022, including the Russia-Ukraine war, energy crisis, food crisis, fuel crisis, and the increase in Fed



Shri Anurag Jain, Secretary, Department for Promotion of Industry and Internal Trade (DPIIT).

rates. He, however, emphasized that despite the fall in 2022, India's startup growth story has resilience, with Q1 of 2022 showing 64% more deals than 2021.

Shri Anurag Jain also praised our FDI policy stating it to be one of the most open in the world today. He urged the investor community to learn from each other's experience and take India's growth story forward by mobilizing both foreign as well as domestic capital.

Our FDI policy is one of the most open in the world today. I would like all the investor community sitting here today to deliberate learn from each other's experience and see where this growth story can go forward

where this growth story can go forward automatically and what steps we need to take to take it much faster. We also need to look at how to mobilize the domestic capital further. There have been lot of good things which have happened if I recall the kind of regulatory changes which happen now it is possible to invest the Pension funds the insurance funds into the alternative investment funds.

He stated that he had received representations from IVCA, and they are aware of the concerns raised. It was emphasized that the provision does not affect startups on the list as startups recognized by the DPIIT are out of its purview, and the startup recognition process is simple and straightforward.

> I understand the whole government is there to listen to good ideas on how to take the growth forward and ensure that we contribute our best towards India's growth history.

VC Investments in India – Keeping up the Momentum

Navigating Governance and ESG Challenges in India's VC Landscape



(From left to right) Tejesh Chitlangi, Mohanjit Jolly, Sagar Agarvwal, Lavanya Ashok, Anjani Bansal, Rajan Anandan

In a highly anticipated panel discussion on VC investments in India, industry experts gathered to delve into the critical issues facing venture capital firms in the country. With a focus on maintaining momentum, the panelists engaged in a lively conversation that touched on topics such as environmental, social, and governance (ESG) considerations, and the challenges of transitioning from a private to a public enterprise. The discussion aimed to shed light on the evolving investment landscape and provide insights into the strategies employed by investors to ensure sustainable growth and success for their portfolio companies.

Importance of World-Class Corporate Governance

Rajan Anandan, Managing Director, Surge & PeakXV Partners (Formerly knows as Sequoia India), a prominent investor with a vast portfolio of successful startups, emphasized the significance of world-class corporate governance in building enduring companies. The panelists acknowledged that recent instances of willful fraud in the Indian ecosystem had highlighted the need for action and investigation. They emphasized the goal of fostering companies that can thrive for decades and make a substantial impact on the world. Establishing robust corporate governance practices, including independent board directors, audits, and clear processes, was identified as a crucial aspect of ensuring long-term success.

Nurturing Good Governance at Different Stages

The panelists recognized the need to educate and guide startups from the early stages of their journey to embed a culture of good governance. They stressed the importance of startups understanding and implementing the necessary measures specific to each stage of their growth. For instance, as companies progress to the pre-IPO and IPO stages, compliance with regulatory requirements and the presence of independent CFOs and board directors become essential. However, at the seed stage, a different set of considerations must be taken into account, primarily focused on finding product-market fit. Ensuring startups are aware of these stage-specific requirements and partnering with founders to implement them were key objectives identified by the panel.

Trust and Collaboration in Venture Capital

The panelists acknowledged that venture capital is fundamentally a business of trust and long-term partnership with founders. While enforcing good governance is essential, the success of any investment hinges on building strong relationships with the entrepreneurs. Trust and collaboration were identified as crucial elements for fostering an ecosystem that enables the growth and sustainability of startups. The panelists emphasized the need for founders to be aware of their responsibilities and actively implement governance practices while investors provide guidance and support throughout the journey.

Mitigating Risks and Learning from Past Examples

The panel discussion also touched on cautionary tales from the global VC landscape, such as the WeWork debacle. While not directly involved in the specific case, the panelists reflected on the importance of distinguishing between fraudulent activities and challenges arising from mismanagement or changing market dynamics. They emphasized the need for due diligence and thorough evaluation by investors to mitigate risks associated with conflicting transactions, governance issues, and sustainability concerns. By maintaining a diligent approach and learning from past examples, VC firms can navigate the complexities of valuations and investments, ensuring a more sustainable and transparent ecosystem.

Analyzing Investment Landscape: Fraud, Valuations, LP-GP Relationships, and Sector Trends

This content discusses various aspects of the investment landscape, including company fraud, valuations, LP-GP relationships, and sector trends. The author emphasizes the need to separate fraud from other business challenges and highlights the difficulty in detecting and catching fraudsters. They also mention the shifting dynamics in LP-GP relationships and the increased scrutiny of investment terms and fund performance. Effective communication, transparency, and trust-building between GPs and LPs are seen as vital for long-term relationships. The content concludes with a mention of successful contrarian bets and the importance of timely disclosures and transparency.

Key Segments in Focus: AG-Tech, FinTech, and SaaS Driving Investment Opportunities

This discussion highlights the strong growth and potential in three key segments: AG-Tech, FinTech, and SaaS (Software as a Service). The AG-Tech sector, with its large market size and broken supply-side linkages, presents significant opportunities for tech-powered disruption. FinTech, despite recent regulatory challenges, remains promising, particularly in areas such as Embedded Finance, banking infrastructure, and neo-banking. The SaaS sector is experiencing notable momentum, with a focus on both horizontal and vertical businesses, showcasing India's ability to build scalable solutions for global markets. Additionally, the exit environment is expected to improve in the coming months, emphasizing the importance of preparedness and governance for successful exits. The evolving regulatory regime in India is acknowledged, with SEBI's proactive approach in regulating and monitoring Alternative Investment Funds (AIFs) appreciated, while recognizing the

ongoing challenge of striking the right balance between regulation and industry impact. The growth of domestic institutional capital further reduces the reliance on offshore capital for Indian General Partners (GPs).

Regulatory Improvements and Domestic Capital Key to Boosting Investment Environment in India

This discussion emphasized the need for certain regulatory changes in India to enhance the investment landscape. Suggestions included harmonizing taxation between management fees and carrying interest, addressing valuation concerns, and ensuring investor protection. While acknowledging India's evolving regulatory regime, the focus was on striking a balance between being conducive to fund managers while maintaining necessary oversight. The importance of expanding domestic pools of capital is highlighted, with a call for an encouraging environment for banks, financial institutions, pension funds, and endowments to invest in private equity and venture capital. Comparisons were made with developed markets like the US, where board-driven policies facilitate greater capital flow. Furthermore, the potential of India as a global investment destination is recognized, with optimistic views on its growth potential and the interest of international investors. However, cautious optimism was advised, emphasizing the need for ongoing efforts to harness India's potential and address existing challenges.

Indian Startups Attract Global Corporates for Innovation and Financial Returns Despite Funding Challenges

The Indian market is an increasingly attractive prospect for investors, particularly global corporations seeking opportunities for innovation and financial returns. The discussion emphasized that sectors like financial services, climate tech, and space sciences offer significant potential for India to lead in solving global challenges. However, the panelists highlighted the existence of funding challenges, with longer diligence periods and higher scrutiny on valuations. Regardless, they expressed cautious optimism and believed that good companies with product-market fit can secure funding, albeit with elongated timelines. The overall sentiment was one of confidence in India's startup ecosystem, emphasizing the need for patience and recognizing the remarkable growth and profitability potential in the coming years.



(From left to right) Mohanjit Jolly, Sagar Agarvwal, Lavanya Ashok, Anjani Bansal, Rajan Anandan

The Experts Speak

Anjani Bansal

“Educating and guiding startups from the early stages to embed a culture of good governance is essential for long-term success.”



Lavanya Ashok

“Startups need to be aware of their responsibilities and actively implement governance practices while investors provide guidance and support.”

Mohanjit Jolly

“Effective communication, transparency, and trust-building between GPs and LPs are vital for long-term relationships in the VC landscape.”



Rajan Anandan

“Startups must understand and implement stage-specific governance measures to ensure sustainable growth.”

Sagar Agarvwal

“The AG-Tech, FinTech, and SAS sectors offer significant investment opportunities with their growth potential and scalability.”

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International Financial Services Centres Authority (IFSCA)

The International Financial Services Centres Authority (IFSCA) was created to establish India as a global hub for fund management and financial services. The idea was to have an ecosystem within India that could attract Indian entities that were availing financial services from outside India and provide the same facilities and ecosystem. Another objective was to attract the outside world by having a system within India that could provide the same opportunities. A fireside chat between Tushar Sachade, Partner, PWC India and Praveen Trivedi, Executive Director, IFSCA revealed the impact of IFSCA on the financial system.

Praveen Trivedi mentioned that in the last two years, IFSCA had achieved a lot with 59 fund management entities, 41 funds, and a business commitment of 11 billion dollars. The IFSCA has also done a very elaborate market study and formed many committees internally. The IFSCA became a hot topic because the Prime Minister had a vision to create India as a global hub for fund management and financial services.

Tushar Sachade commended the regulatory efforts of the IFSCA. He highlighted the introduction of the Fund Management Entity framework, similar to Singapore's approach of regulating fund managers rather than funds themselves. Praveen Trivedi went on to add that the IFSCA aims to create an atmosphere for all, focusing on ease of doing business and



(From Left To Right)Tushar Sachade, Partner, PWC India
Praveen Trivedi, Executive Director, International Financial Services Centres Authority (IFSCA)

Tushar Sachade

" The competition is not with SEBI or with the India structure, it's more competition with the offshore financial centers to get that business into India**"**

International Financial Services Centres Authority (IFSCA)



Praveen Trivedi, Executive Director, International Financial Services Centres Authority (IFSCA)

Praveen Trivedi

"The whole idea is to create a financial ecosystem which is at par with the best in the world."

development rather than competition. Trivedi emphasized that they value suggestions and flexibility, listening to the market's needs. He mentioned the Integrated KYC guidelines, a single document incorporating requirements from SEBI, RBI, and other jurisdictions, enabling entities from any country to participate.

The importance of fintech emerged over the course of the chat. Trivedi mentioned that IFSCA has established a department and framework for FinTech activities, with funding from the Indian government. He explained that IFSCA collaborates with various regulators and agencies worldwide, allowing for easy entry and exit of FinTech activities. He emphasized the importance of IFSCA in India and its ability to accommodate innovative ideas within the legal framework, while ensuring predictability in regulations.The conversation concluded with optimism for the future of the fund management industry in IFSCA.

IFSC: Creating New Destination for Funds

The fund management regulations released by IFSCA in 2022 changed the way the asset management industry is regulated. IFSCA's intent was to bring it at par with global standards. These regulations adopted a risk-based approach and categorized fund management entities into authorized, registered non-retail, and registered retail. This gave birth to what some investors are terming IFSC 2.0. A panel of industry experts discussed the implications of these regulations and the impact it will have on the investing landscape in the country.

Why IFSC is increasingly popular

Siddarth Pai, Founding Partner, Chief Financial Officer & ESG Officer, 3one4 Capital, who is setting up his own fund in IFSC as the first foreign capital fund, explained the benefits of IFSC for foreign funds, including tax benefits, regulatory compliance, and the ease of doing business. The panelists also discussed the challenges they faced in setting up in the IFSC, including the need for a robust ecosystem, availability of talent, and lack of awareness of the IFSC among investors. However, the panelists agreed that IFSC could become a fund management hub based out of India and investing all across the world.
The panelists also highlighted the difficulty of establishing and administering a fund within an IFSC, the importance of educating domestic fund managers and foreign limited partners about the structure, as well as enforcing loan documents and dispute resolution mechanisms. Shagoofa Rashid Khan, Group General Counsel and Head of Corporate Affairs at National Investment and Infrastructure Fund, pointed out that the SEZ Act, which is used to establish IFSCs, is not geared towards financial services or products, highlighting the need for specific legal frameworks. Siddarth emphasized that investors take comfort in the fact that IFSCs are backed by the Indian government and have a set of regulations and frameworks.



(From left to right) Tushar Sachade, Shagoofa Rashid Khan, Nandini Pathak, Siddarth Pai, Subramaniam Krishnan

A tax haven

Subramaniam Krishnan, Partner – Private Equity & Financial Services, Tax & Regulatory Services, Ernst & Young LLP, stressed upon the benefits of investing in the IFSC fund. The benefits include a pass-through tax regime and the ability to pay taxes and see-through credit for investors in their home country. He added that the ability to offset income and gains from multiple funds in a year is also an advantage. These benefits are not available in funds set up in other offshore locations such as Cayman, Mauritius, and Singapore. Moreover, IFSC funds are specifically exempted from the Angel Tax, which makes it an important differentiator for anyone looking to invest in India.

Room for improvement

Nandini Pathak, Leader, Investment Funds Practice, NDA, suggested that an accredited investor class be introduced by the government for outbound investments. Following on from that, Shagoofa talked about some teething issues that remain such as the fundamental characteristics of fund vehicles that need to be resolved from a GIFT city perspective, particularly alignment of interest between employees and managers in carrying out long-term funds.

The discussion concluded with Subramaniam cautioning that setting up straightforward structures is not feasible today due to regulations that need revitalizing. Regulations governing institutional funds tend to be more challenging than those for funds that are more individual-promoted.

The Experts Speak



Shagoofa Rashid Khan

“You want to ensure that employees are incentivized to stay not just through the investment period, but also through the critical divestment period. So, carry structures become very important.”

Nandini Pathak

“The Angel Fund Framework and the Venture Capital Scheme Framework are less regulated because they have a green channel. So you could just file your PPM with the authorities and launch immediately thereafter.”

Siddarth Pai

“India is a nation of entrepreneurs and investors, not just advisors.”

Tushar Sachade

“The biggest challenge out there is the underlying legal framework that IFSC is a foreign currency structure. Under this, we are expecting the Indian resident, and institutional investors to also invest in a foreign currency.”

Subramaniam Krishnan

“Investors who are investing in multiple Indian funds can now aggregate and offset income and gains from these funds in a single year, which is a solid advantage.and launch immediately thereafter.”



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Responsibility and Accountability Go Together

“We are all aware of the funding winter and it’s certainly quite cold out there. The drawdowns from Sydney Fund of funds are startling with numbers dropping from 35 billion to 24 billion between the years of 2021 and 2022.
However, there’s good news too. Proposals coming through the pipeline are still strong. Furthermore, the industry has gained tremendous traction and maturity, thanks to diligent methodologies and processes implemented by fund managers.
While all investors supposedly do their due diligence, there’s an elephant in the room that needs to be addressed. There have been cases of fraud in the past and as a community, we need to be responsible and show the regulatory authorities that we are accountable. Inaction could lead to regulation, and the need to regulate is inherent in the power of any authority.
The microfinance industry went through a similar scenario that led to a huge shakeout and regulations coming into play. Similarly, with the Collective Investment Funds in the 90s, regulations were implemented when a lot of those funds were misused. The introduction of AIF regulations had its beginnings within the CIS regulations and problems experienced in the industry. The need to regulate does not go away, and the minute there is a vacuum, regulation will walk into that vacuum. I, therefore, urge the IVCA through its executive members to make a statement, come out with a plan, and provide a path forward. The statement should address entities that have committed fraud and how the industry will deal with them. While fraud is an IPC offense, this industry needs to take a stance and show regulatory authorities that they are accountable.

The government is keenly helping businesses to grow in whichever way is possible. There's



Shri S Ramann, Chairman & Managing Director, SIDBI

an environment for growth within the country, even amongst some states that were probably not the center of attention for most people earlier. But there's been a huge progress in a few states in terms of governance, in terms of the kind of services, and the investor-friendly environment that they're trying to create. The credit guarantee scheme led to an infusion of 9000 crores in the budget for MSMEs- a scheme that a lot of state governments are happy to take forward.

We know that you are the best judge of how much funds are needed by a particular company at which point of time, but we do not want to have funds that are sanctioned money or are given a sanction and then do not come back at all for draws. I've told

Responsibility and Accountability Go Together

the team very clearly that we do not want to keep our sanctioned amounts idle.
Together, with better accountability, we can create a more responsible and driven funding ecosystem.

”

“

I honestly believe that the way the industry has matured the way all of you have come in, deployed the funds, are watching over the investee companies, much like a mother hen would do.

”

The Strategic Partner- Indian Fund of Funds Ecosystem

There is a burgeoning pool of domestic capital in India with an ever-increasing demand for raising capital from multiple sources. This has primarily been led by the success of the PE and VC community in the country. As a result, a funder's fund ecosystem has developed. A panel of industry experts debated the various implications of this recent development.

An opportunity to drive innovation

The panelists discussed various themes, including the need for the right team and intergovernmental support. Anand Unnikrishnan, Managing Partner - Fund of Funds, National Investment and Infrastructure Fund (NIIF), spoke about the thematic funds that NIIF supports. He noted how it helps in generating employment, reducing emissions, and improving social impact. Neha Khosla, Investment Lead – Fund of Funds & Innovation, British High Commission, talked about the UK government's partnership with NIIF and the opportunities for intergovernmental support. The panelists agreed that the fund of funds ecosystem in India is nascent but has a lot to offer in terms of opportunities for both domestic and international capital pools.



(From Left To Right) Bharat Anand, Vineet Rai, Prashanth Prakash, Rema Subramanian, Shri Satya Prakash Singh, Neha Khosla, Anand Unnikrishnan

Rema Subramanian, Co-founder and Managing Partner, Ankur Capital, talked about the need for thematic fund of funds in India to bring IP-led innovation to the forefront, especially in sectors where India has the potential to be a global leader, such as agritech, climate, EV, and digital public goods. She suggested that pools of capital are required from the government and private sectors to create this focus. In her opinion, regulatory intervention is necessary to make these pools of domestic capital available. Prashanth Prakash, Founding Partner, Accel Partners India LLP, added that as a country, India lacks institutional R&D, which is why there is a need to bootstrap IP through startups. He felt that building institutions capable of assessing IP, assessing finance, and incubating IP is critical to create a whole ecosystem of IP-led innovations in emerging sectors such as decarbonization, biotech, and deep tech. The participants agreed that blended finance is just a point in time and that a fund of funds can multiply the effect of the capital available, leverage IP, and create a focus for impact-driven investments.

Prospects for the Indian economy

Anand explained that he backs both established and emerging fund managers for their portfolios, with roughly half of NIIF's portfolio dedicated to each. NIIF also has the ability to anchor new strategies, such as a climate fund they launched in 2018. Vineet Rai, Founder, Aavishkaar Group and Managing Partner, Aavishkaar Capital, discussed the importance of FoFs in raising capital within India and how FoFs like SIDBI and NIIF have strategically thought-through processes.

The discussion concluded by stressing that if India is to transform and reach its goal of a $10tn economy, the quantum and size of the fund managers' assets under management must increase, and FoFs should be managing up to $100bn.

The Experts Speak

Shri Satya Prakash Singh

"I think this is the best time for blended finance, both in terms of equity and debt. I expect it to give a big boost to the economy."

Prashanth Prakash

"There is a bigger need to create products in India that have global relevance. The need to bootstrap this kind of IP through startups gains more importance as a result."

Rema Subramanian

"The paucity of fund managers today is, I think, because of the paucity of capital rather than the other way around."

Vineet Rai

"We should look at IFSC not only just for attracting capital into India, but to actually transform IFSC for taking money outside of India."

Anand Unnikrishnan

"The reason for NIIF to set up the fund of funds was increased employment, potential for decarbonization, ease of living through impactful portfolios."

Bharat Anand

"Blending of donor capital and commercial capital is the holy grail where one can talk about providing an impetus to the fund of funds."

Neha Khosla

"The fund ecosystem has an additional layer of fees. We should look to minimize the cost and provide some innovative structures to make it more conducive."



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Founded in 2018 and headquartered in Mumbai, Eversource Capital is India's leading climate impact Investor. It is a partnership between the Everstone Group, one of India and South-East Asia's leading independent investment platform with US$7 Bn in AUM in assets and Lightsource bp, a leading European renewable energy company, managing large-scale renewable energy projects worldwide.

Eversource aims to mobilize and invest capital at scale in climate impact investments with the objective to create positive climate and societal impact while generating superior returns. We manage India's largest climate impact fund with assets under management of ~USD 741 million.

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The Intersection of Leadership with Spirituality



(From Left To Right) Prashanth Prakash,Founding Partner, Accel Partners India LLP
Amogh Lila Das Prabhu, Spiritual-motivational Speaker

Amogh Lila Das Prabhu | Prashanth Prakash

An enlightening session on leadership and spiritualism with Amogh Lila Das Prabhu, Vice President of Dwarka ISKCON gave food for thought to the delegates. On the intersection of spirituality and entrepreneurship, Amogh Ji explained that while having goals is important, attachment to the outcome should be avoided. He adviseds delegates to put in their best effort while understanding that certain factors are beyond their control. Stressing over such factors only depletes energy. He suggesteds that focusing on what is within one's control leads to a more productive and stress-free life.

Passion and purpose were discussed as essential elements in the journey towards achieving goals. While individuals may have different goals at different stages of life, Amogh Ji emphasized that the ultimate goal for everyone is happiness. He added that happiness is not dependent on external achievements but on a deeper spiritual connection.

The Present and Future of Private Equity and Venture Capital in India

Vishal Mahadevia, Managing Director, Head of India, Warburg Pincus, opened the IVCA conclave with an address on the present and future of private equity and venture capital in India. His talk touched upon the current dealer environment, the maturity of private equity and venture capital as an asset class for investors, the importance of private capital, and the regulatory environment that benefits the country and the entire industry.

The Current Dealer Environment

Vishal talked about the challenges the private equity industry has faced globally and in India for the last two years. He attributed it to the period of peak uncertainty caused by several factors like geopolitical tension, inflation, and rising interest rates, among others. According to S&P, global private equity volume declined from 1.2 trillion to $700 billion in 2020. This made it harder for all the stakeholders to compete, and the risk became harder to price. However, he mentioned that the global private equity industry has record levels of dry powder, around $2 trillion, and it's a matter of time before deal-making resumes.

The Maturity of Private Equity and Venture Capital as an Asset Class for Investors

The private equity and venture capital industry in India has matured as an asset class for investors over the last decade. However, the industry has proved many skeptics wrong by demonstrating its ability to generate attractive returns and liquidity at scale. In the last five years, private equity exits have accumulated $116 billion, which demonstrates the maturity of private equity and venture capital as asset classes in India. Vishal expressed his optimism about the industry's prospects, as India has



Vishal Mahadevia, Managing Director, India Head, Warburg Pincus

emerged as the most attractive growth economy in the world.

The Importance of Private Capital

Vishal emphasized the importance of private capital in the present moment. Investors trust private equity firms to invest in India due to their on-the-ground presence, information arbitrage, and strong local network. He also emphasized the ability of private equity firms to work with founders to create institutions with strong governance frameworks. He believed that the government realized the significance of private capital as a source of FBI flows into the country. As a result, it is more important than ever for everyone

The Present and Future of Private Equity and Venture Capital in India

to band together and push for a regulatory environment that benefits the country and the entire industry."

> "India has emerged as the most attractive growth economy in the world, and private equity and venture capital have played a crucial role in making it happen."

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Of Deployments and Strategies for India

A long-term partnership philosophy for organic growth

CPPIB, with a whopping $20 billion investment in India over the past decade, is leveraging their long-term partnership philosophy and active management strategy to support Indian entrepreneurs and seize interesting opportunities. In a fireside chat, Prakul Kaushiva, Head of Direct Private Equity for India at CPPIB, opened up on equity, capital and the state of markets in India, focusing on CPPIB's strategy for long-term growth.

Organic growth, partnership philosophy, and active management

CPPIB is a significant institution builder, with AUM for Asia-Pacific at 145 billion, with India being a significant quarter. Prakul explained that CPPIB invests across public equities, private equity, real assets, credit, and capital market strategy. The growth has been organic, with CPPIB evolving and growing gradually.

Prakul discussed CPPIB's organic approach to building their investment programs, which has led to the growth of their teams. He emphasized the importance of partnership as a core investment philosophy and the active management approach towards investing. He also mentioned that CPPIB has built a team on the ground in India and plans to leverage their strong base of partnerships to find interesting opportunities and the best way to get exposure to those.

Prakul also threw light on how they work as a solutions provider in addition to being a capital provider, bringing their global experience and knowledge base to the table for portfolio companies. They deploy their resources for larger opportunities and partner with one of their



(From Left To Right) Prakul Kaushiva, Managing Director, Private Equity, Cpp Investments
Renuka Ramnath, Founder, Managing Director And Ceo, Multiples Alternative Asset Management

Prakul Kaushiva
" CPPIB is a solutions provider, not just a capital provider. We bring our global experience and knowledge base to the table for portfolio companies. "

Of Deployments and Strategies for India



(From Left To Right) Renuka Ramnath, Founder, Managing Director And Ceo, Multiples Alternative Asset Management
Prakul Kaushiva, Managing Director, Private Equity, Cpp Investments

Renuka Ramnath

" CPPIB's focus, clarity, and ability to help build institutions has made them an organization par excellence in the investment industry. Their long-term partnership philosophy and active management approach have been key factors in their success in India. **"**

GPs, while for smaller deals, they do it in a more passive co-investment fashion. CPPIB also has a strong emphasis on ESG and ensures their partners deliver on their ESG promises.

India is a very key strategic market where they have already made significant commitments and are looking to build a team on the ground focused on identifying opportunities, building partnerships, and deploying capital.

CPPIB's Strategic Investment Approach in India and Focus on Sustainability

With regards to India, CPPIB has a large pool of assets and wants to grow incrementally leveraging their strengths, partner network, and global reach. They are open-minded in terms of deal constructs, asset classes, governance frameworks, and want a path to liquidity.

While sustainability and climate investing are an emerging asset class which presents an opportunity for disruption, stakeholders are still working out an approach that is viable locally and globally.

CPPIB has invested 20 billion dollars in India over the last decade and is expected to increase its assets in the country due to the growth rate and institutionalization of the industry. Their experience in India has been positive, bolstering their confidence in the market. The Indian investment industry has a lot of potential and could bring in billions of dollars to support Indian entrepreneurs.



(From left to right) Anshul Khurana, Abilash Haridass, Mahesh Babu, Deepak Anand

Sustainability and technological innovation are key focus areas for the real estate industry today. The Real Estate Council and IVCA joined hands to host an event showcasing four cutting-edge startups transforming the real estate industry with their revolutionary ideas in sustainability, technology, and financial inclusion. From water management to waste disposal, and financial inclusion to managed living, these startups are set to change the way we think about real estate.

A Game Changer for Sustainable Real Estate

Abilash Haridass, co-founder and CEO at WEGoT, opened the discussion with a focus on how climate tech and sustainability-focused solutions would be the biggest change in PropTech, specifically concerning water management. He introduced WEGoT's IoT-based water management platform that collects data on water flow, quality, and pressure, providing real-time insights to all stakeholders involved in a building's water management. This leads to increased accountability and transparency, which helps reduce demand for water and electricity by up to 50% and 30%, respectively. This is crucial for mitigating the climate crisis, especially in India, where water scarcity is a significant issue.

The platform collects about 36 million data points and enables more efficient building construction by reducing CapEx on pipe size, pumps, and motors. WEGoT provides water management as a service, giving all equipment for free and charging a monthly recurring fee. The platform has been successfully deployed in residential and commercial buildings, and the solution is not limited to India alone, as it solves a global problem. Abilash noted that with the scale of India's growing water management problem, becoming a unicorn is achievable with persistence and hard work.

Climate Circle: The digital waste platform revolutionizing waste management in India

Mahesh Babu, Managing Director at Climate Circle, discussed the waste management problem in India, with many urban centers having over 2000 dump sites, leading to groundwater pollution, ocean plastic, methane emissions, and air pollution. He proposed a solution to process waste and convert it into useful byproducts with the help of the industry. Their digital waste platform, Climate Circle, is all set to bring scale and in-house expertise to tackle the problem by tracking and tracing every aspect of waste.

Entitled - Making Financial and Health Services Accessible to All

Anshul Khurana, co-founder of Entitled, discussed the importance of financial planning for low income workers in India. Entitled is a startup that provides financial and health services to low income workers in India. Despite an increase in India's financial inclusion index, many workers still lack access to formal loans, savings, and health coverage. Entitled aims to bridge this gap by building a service ecosystem that connects low income workers with service providers through a user-friendly platform. The platform provides access to services such as salary advances, loans, microinsurance, health plans, saving programs, and support with government services. Entitled targets a large group of workers, including those in real estate, construction, manufacturing, retail, and logistics.

The platform partners with employers and gig service platforms to bring in blue-collar workers and offers WhatsApp-based access with comprehensive bots to provide hyper-personalized content in multilingual formats. The value proposition for corporate partners is to lower costs and provide better benefits, retention, and engagement for workers. Entitled has enabled access to health services, loans, and government benefit support for construction workers and currently caters to half a million workers and 45 platform partners.

Housr's Managed Living Solution for Single Professionals and Small Families

Deepak, co-founder and CEO of Housr, discussed the importance of managed living for urban single working professionals and small families across NCR, Pune, and Bangalore. At Housr, they lease properties from developers or owners for a 9-15 year period and sublet them to working professionals, bundling in all services from security to housekeeping, focusing on killing urban loneliness. Housr's target audience was initially millennials but is now shifting to people in their 30s and 40s and small families. The average rent for a single room is between 40,000 and 65,000 per month, depending on the property's location and room category. The typical yield that landlords get is around 4 to 5%. get is around 4 to 5%.

The Experts Speak

Abilash Haridass

" Climate tech and sustainability-focused solutions will be the biggest change in PropTech, specifically concerning water management. "

Mahesh Babu

" Our digital waste platform, called Climate Circle, will bring scale and in-house expertise to tackle the waste management problem by tracking and tracing every aspect of waste."

Anshul Khurana

" Entitled aims to bridge the gap by building a service ecosystem that connects low income workers with service providers through a user-friendly platform. "

Deepak Anand

" Housr offers managed living for urban single working professionals and small families across NCR, Pune, and Bangalore, focusing on killing urban loneliness. "

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Private Equity in India's Real Estate: What's Working, What's Not?

Exploring Private Equity in India's Booming Real Estate Market: Opportunities and Risks Unveiled



(From Left To Right) Manisha Natarajan, Rahul Rai, Vipul Roongta, Nipun Sahni, Vikas Chimakurthy

India's real estate market presents a golden opportunity for investors, but catching the right investment cycle is crucial. Industry experts shed light on what's working and what's not, revealing potential risks and opportunities for those looking to invest in this booming market.

Navigating Equity and Credit Markets

The panel discussed how the country's demographic dividend with one billion people aged 35 and under needing homes and office spaces presents a good business opportunity. However, catching the investment cycle is crucial for making money. Credit is currently working well in the real estate market, whereas equity might not be as successful. The residential real estate market is subject to regulatory obligations that make equity investment difficult. On the other hand, office spaces have seen a lot of equity investment. The market has bounced back strongly after COVID, with investors benefiting from dislocation in the market.

New sectors such as logistics and data centers are also providing investment opportunities in real estate. The key difference in the real estate market is the supply side versus the demand side, with the funding ecosystem primarily focused on the former. The speakers emphasized that while the top developers in the top seven cities may not need global capital, there is a large number of mid-market developers who are trying to scale up and need capital. The industry is consolidating, but it is slow, and there is still a large number of developers in the market.

Real Estate Industry: Opportunities, Risks, and Regulatory Impact

The discussion touched upon government incentives and taxes affecting the real estate market. The industry is also dependent on external factors such as the IT sector and oil prices. While there are external risks, the internal risk is the government's role in either helping or cooling off the sector. The government can use incentives to accelerate growth, but they can also increase approval costs and taxes to slow it down.

The panel also threw light on evolving standards of conduct among developers in the real estate sector. The institutional framework has structurally made the sector very different and enforced discipline in the

entire sector. Rules such as keeping capital in an escrow account and using it for a specific purpose have tilted the scales in favor of the lender and aided the discipline around it.

Overall, the industry is doing well, but there are potential risks to be aware of. The panel concluded that good behavior attracts good capital, and good behavior is conducive to scale.

The Experts Speak



Vikas Chimakurthy

"Investing in real estate requires a nuanced understanding of market dynamics and risk factors. We're aiming for returns in the late teens on the credit side and into the twenties for equity, fully aware of the inherent risks and market fluctuations."

Nipun Sahni

"Institutional discipline has significantly improved in the real estate sector, thanks to stringent laws like RERA and the bankruptcy code. These regulations have instilled a sense of accountability, ensuring that developers operate with greater transparency and efficiency."

Vipul Roongta

"The current state of the market is uncertain, with potential short-term headwinds like a global recession and inflation challenges. However, we're bracing for impact and closely analyzing city-specific factors, especially in IT-driven markets, to navigate through these turbulent times."

Manisha Natarajan

"Real estate is a sector of paramount importance, and it's crucial to critically analyze and understand the intricate balance between risk and return, and the evolving nature of developer conduct. Our panel today has shed light on these vital aspects, providing a comprehensive overview of the current state and future prospects of the industry."

Rahul Rai

"While the government has a significant role in influencing the real estate market, the sector itself is adapting and evolving. Developers are becoming more disciplined, and there's a noticeable shift towards diverse investment strategies to mitigate risks."



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Private Credit– Solution Capital to the Funding Gap



(From Left To Right) Sridhar Nagarajan, Kanchan Jain, Navin Sambtani, Prasanna M, Sabita Prakash, Dinkar Venkatasubramanian

The private credit industry, which is expected to reach $2.69 trillion by the end of 2026 is a rapidly growing market that could unlock India's true potential. In a panel discussion, industry experts including Kanchan Jain, Navin Sambtani, Prasanna M, Sabita Prakash, and Dinkar Venkatasubramanian discussed how private credit can unlock the true potential of India. The panelists delved into how private credit can augment private equity and fill the funding gap in India.

Insights from Industry Experts

Private credit as an industry is growing year on year, and it is expected to reach $2.69 trillion by the end of 2026. While corporate debt is still relatively low compared to the US, the private credit market has been growing in India due to recent changes in the regulatory environment. Private credit in India has largely focused on high yield and special situations, but there is potential for growth in other areas, such as capex financing and bridge to IPO. The funding gaps that private credit is filling in India are not due to inefficiencies in the banking system but rather due to banks exiting non-standard end users and credit becoming more distributed.

Bridging the Funding Gap for SMEs and Embracing Transparency

The panelists also weighed upon the missing middle life fee, where SMEs are left behind as they are unable to find funding to achieve growth. Private credit is flexible in funding growth capital for companies without previous track records and helping companies restructure when they fall by the wayside. Legislative changes are expected to be passed in the budget session to add more bite to the Insolvency and Bankruptcy Code (IBC). Additionally, providing a menu of options to resolve stress before it goes further will improve confidence in the IBC system.
The discussion emphasized the importance of transparency in the private credit market and notes that most performing credit funds in India have adopted a daily NAV model to improve transparency for investors. The panelists agreed that private credit investments in Asia, particularly in India, offer a great opportunity for LPs, with a lot of room for growth. However, they also acknowledged the challenges and risks associated with investing in the region, including regulatory issues, foreign currency fluctuations, and the lack of a developed secondary market for exits.

Opportunities and Challenges in India

Private credit platforms were also discussed, and the panel discussed dealing with borrower situations that involve complex code structures and multiple lenders. They agreed that collaboration and networking can help find solutions to overcome these obstacles and take advantage of the potential for private credit investments in Asia.

The discussion concluded with the note that private credit has become a mainstream asset class in India, offering scalability, illiquidity premiums, and the potential for high returns. Private credit investments in Asia offer a great opportunity for LPs, but there are challenges and risks associated with investing in the region. Nonetheless, with networking and collaboration, solutions can be found to overcome these obstacles and take advantage of the potential for private credit investments in Asia.

The Experts Speak

Kanchan Jain

“Private credit has become a mainstream asset class in India, as it offers scalability, illiquidity premiums, and the potential for high returns.”

Sabita Prakash

“The private credit market in India has a lot of room for growth and offers a great opportunity for LPs.”

Navin Sambtani

“Private credit is flexible in funding growth capital for companies without track records.”

Dinkar Venkatasubramanian

“Collaboration and networking can help find solutions to overcome obstacles and take advantage of the potential for private credit investments in Asia.”

Prasanna M

“Private credit can bridge the gap between demand and supply of credit for SMEs in India.”

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PE/VC Outlook for 2023 and Beyond



(From Left To Right) Geetanjali Bhalotia, SVP APAC Research for Preqin

As alternative assets reach an all-time high of $100 billion AUM in AsiaPac, Geetanjali Bhalotia, SVP APAC Research for Preqin, shared insights on the investment market from the previous year.

A Look at India's Performance and the Impact of Inflation and Rising Interest Rates

Geetanjali opined that while most asset classes were able to raise more capital in 2021, driven by near-zero interest rates and a post-pandemic market recovery, 2022 was impacted by high inflation, rising interest rates, weakening deal flows, and liquidity in the market. India has seen relatively stable fundraising over the last few years, with a marginal decline in 2022 as compared to AsiaPac or global markets, despite a significant drop in private equity fundraising. On the other hand, venture capital funds in India compensated for this decline, raising close to 20% more capital in 2022 as compared to 2021.

While discussing private equity trends in Asia in 2022, Geetanjali noted that India saw a sharp increase of over 300% in exits worth $20 billion in 2021. However, due to inflation and rising interest rates in 2022, there was a decline in capital distribution and deal activity, leading to a widespread risk of sentiment in the market. China-focused funds were much harder hit by the fundraising decline of almost 50%, while Pan-Asian funds retained the flexibility of investing across multiple markets. The 10 largest funds that closed in 2022 accounted for almost 68% of the capital raised. Smaller private equity funds in Asia had the highest returns across different size buckets. In terms of sector performance, information technology and healthcare sectors showed signs of reversals.

Investor Survey Highlights, Shifting Appetites, and Mega-trends

She also discussed the results of an investor survey conducted by Preqin in November 2022. Investors consider the exit environment as the biggest challenge to private equity in the next 12 months, followed by asset valuation. Rising interest rates, stock market volatility, and geopolitical landscape are still

issues that concern investors. The proportion of investors looking to increase their allocation or commitment to private equity funds over the next 12 months has fallen to almost 30% for the first time in the last few years. The US remains the top choice for private equity investors globally, while Southeast Asia and India have seen a remarkable shift in appetite towards China. In Asia, venture capital fundraising decreased by almost 45% as compared to 2021, but India-focused venture capital funds reached an all-time high of almost $5 billion in capital. The venture capital exits recorded a steep decline in deal value and number of deals, but there has been no significant increase in write-offs.

The speaker also shed light on the current state of venture capital deals in Asia, with China experiencing the steepest drop in deals at 26%, while India and Southeast Asia are catching up fast. The VC market in India remains buoyant with only a minor decline of around 11%. Investors are targeting markets in Asia more than ever before, with a clear interest towards the early stage. Despite reduced steel values, the number of deals remains robust, and a longer holding period of assets is expected. Fundraising is expected to remain soft, but the long-term outlook for venture capital remains positive, with APAC having better potential due to a wide range of opportunities in India and Southeast Asia. Expert insights can help investment teams and M&A professionals streamline their deal funnel activities and searches. Geetanjali concluded with a discussion on the mega trends in the market, including slower growth in AUMs, longer fund holding periods, and more activity in secondary transactions or continuation funds due to the slower exit environment.

The Expert Speak



Geetanjali Bhalotia

" Despite the challenges posed by inflation and rising interest rates, India's venture capital market remains buoyant, with a minor decline of only around 11%. While the fundraising is expected to remain soft, the long-term outlook for venture capital in Asia Pacific remains positive, with a wide range of opportunities in India and Southeast Asia.**"**

Expanding the Horizon: Alternate Avenues for Domestic Investors

Experts Discuss Expanding Horizon for Domestic Investors at IVCA Conclave

Alternative assets are poised to provide a new horizon for domestic investors. With insights from top professionals in the field, the panel discussion delved into the nuances of portfolio construction and how to tap into the growing domestic LP base.

Moderated by Siddharth Shah, Senior Partner at Khaitan and Company, the speakers included Anirudh Damani, Managing Partner at Artha Venture Fund, Chandrakant Soni, Director and Head-FundRaising and IR at Motilal Oswal Alternatives, Kartik Reddy, Chairperson of IVCA and Co-Founder and Managing Partner at Blume Ventures, Pranav Parikh, Managing Partner Private Equity at Nuama Asset Management, Mandeep Julka, Vice President at Chiratae Ventures, and Nupur Garg, Founder of WinPE.



(From Left To Right) Siddharth Shah, Pranav Parikh, Anirudh Damani, Nupur Garg, Kartik Reddy, Mandeep Julka, Chandrakant Soni

The speakers shared their experiences on how to tap into domestic investors, the strategy, and thought process required to capture domestic investors.
Pranav, Managing Partner Private Equity at Nuama Asset Management, highlighted the importance of understanding the Indian LP's perspective and needs, such as the preference for shorter investment durations due to opportunity loss concerns. He sees structural trends that indicate AIFs in India could reach 4-5 times their current value and institutional capital is likely to increase significantly in the next decade.

The Evolution of India's Alternative Asset Market

Siddharth Shah, Senior Partner at Khaitan and Company, and Mandeep Julka, Vice President at Chiratae Ventures, discussed the evolution of the Indian market for alternative assets and the differences in investment opportunities and involvement between retail investors/family offices and institutional investors. Mandeep highlighted the level of research and nuanced evaluation that institutions have, the importance of their involvement in portfolio companies, and the governance mechanisms they encourage fund managers to follow. The panelists also discussed the institutionalization of the alternative fund manager asset class in India

and the need to deepen the pool of capital to allow for it to spread to more fund managers.

Building a Successful Fund in India: Insights and Challenges

Kartik Reddy, Chairperson of IVCA and Co-Founder and Managing Partner at Blume Ventures, talked about his experience in building a successful fund in India and the challenges of institutional participation in the Indian market. He stated that there is an enormous risk appetite in India, but the industry needs to prove the entire cycle. Karthik also mentioned two big regulatory issues: parity with public markets and accreditation of investors, which is in the works by SEBI.

The Pitfalls and Progress in India's Alternative Asset Industry

Nupur Garg, Founder of WinPE, and Siddharth Shah discussed the evolution of the 2 and 20 fee structure in private equity and the importance of aligning incentives and maintaining a long-term perspective. Overall, the panelists provided valuable insights into the Indian market for alternative assets and the challenges and opportunities it presents for domestic investors and fund managers. The growth potential of AIFs in India and the increasing institutional capital in the next decade are positive signs for the industry, but challenges such as distribution fees and regulatory interventions need to be addressed. The success of alternative funds in India will depend on a pull strategy in the long term, with distribution fees changing and regulatory interventions coming in.

The Experts Speak

Kartik Reddy
“ Enormous appetite to take risk in India, but the industry needs to prove the entire cycle. ”

Pranav Parikh
“ Structural trends indicate AIFs in India could reach 4-5 times their current value. ”

Nupur Garg
“ The importance of aligning incentives and maintaining a long-term perspective. ”

Mandeep Julka
“ Institutions have a level of research and nuanced evaluation. Their involvement in portfolio companies is important. ”

Siddharth Shah
“ Evolution of the Indian market for alternative assets and the differences in investment opportunities. ”

Creating a Robust Healthcare System and Opportunities Ahead

The Rise of New-Age, Tech-Enabled Healthcare Companies: A Promising Opportunity for Investors



(From Left To Right) Anurag Seth, Mayur Sirdesai, Visalakshi Chandramouli, Rahul Agarwal, Alka Goel, Pankaj Jethwani

Healthcare investors today are keen to invest in cutting-edge technology and innovative single specialty companies. These investors are on the lookout for companies that can seamlessly merge the digital and physical worlds to provide patients with the best possible care.

Companies that specialize in areas like pain management, pediatrics, and medical weight loss attract the most attention from investors. These companies are focused on solving specific health issues, which means they can provide patients with more targeted treatment plans and ultimately better outcomes.

Investing in Mid-to-Late Stage Healthcare: Opportunities and Challenges for CXOs and Investors

The discussion threw light on early-stage investing in horizontal platforms in healthcare, such as telemedicine, diagnostics, and e-pharmacies. Investors are less interested in areas such as provider tech, such as EMR solutions, as the market is not willing to pay for them, and scaling up is a challenge.

On the other hand, mid to late-stage investors are looking at newer opportunity sectors that were not appropriate for investing five to seven years back, such as medical devices and medical consumables, due to maturing user adoption in India and overseas for Indian medical devices and consumables. This has opened up many opportunities for health tech or tech-driven healthcare businesses.

Domestic Consumption and Competency: Two Core Themes Driving Healthcare Investment Strategies

The panelists also discussed their investment strategy across two core themes - a domestic consumption theme and a competency theme. Within consumption, they focus on areas such as hospital chains, specialty clinics, and diagnostic chains. While in the competency theme, they focus on companies that are developing IP, generating patents, or doing drug discovery.

Healthcare Investment Opportunities in India and Southeast Asia: Insights from Industry Experts

The speakers discussed the opportunities for healthcare investments in India and Southeast Asia. Pankaj, from W Health, mentioned the India US Collaboration and how the shift in healthcare is resulting in new health tech companies. He added that healthcare IT is an emerging field, and India has a talent pool of 150,000 engineers who have built products for US companies, making it an ideal place to invest in healthcare IT. Rahul, from Quadria, compared and contrasted the healthcare markets in India and Southeast Asia. He stated that India has an evolved healthcare market compared to other developing markets and is seen as a reliable partner for other Asian economies. There are opportunities for cross-regional collaboration, and Indian companies can go to Southeast Asia and work with provider businesses or those in pharma or med device consumables.

Overall, investors believe that it is essential to focus on creating a robust healthcare system that is accessible, affordable, and sustainable, making healthcare a significant part of the economic growth of the country.

The Experts Speak

Visalakshi Chandramouli, Partner, Tata Capital Healthcare Fund

"Our investment strategy prioritizes both commercial viability and meaningful community health contributions."

Alka Goel, Founding Partner, Alkemi Venture Partners

"Our focus is on precision-driven companies that deliver superior patient outcomes in the evolving healthcare sector."

Anurag Seth, Principal AI/ML Advisor, AWS

"We guide companies in leveraging AI/ML to create innovative patient care revolutions."

Rahul Agarwal, Managing Director, Quadria Capital

"With the US and Southeast Asia within our strategic purview, we believe that the diversity and dynamism of India's market position it uniquely for success."

Dr. Manish Diwan, Head - Strategic Partnership, BIRAC

"BIRAC champions strategic partnerships that catalyze healthcare innovation and impact."

Mayur Sirdesai, Partner, Somerset Indus Capital Partners

"We aim to support companies leading the transformative shift in healthcare investing towards innovation and growth."

Pankaj Jethwani, Executive Vice President, W Health Ventures

"W Health Ventures invests in game-changing healthcare innovations, especially in telemedicine and diagnostics."

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Debunking the Myths of Category 3 Funds in India

With their flexible investment strategies and potential for high returns, category 3 funds, also known as Alternative Investment Funds (AIFs), have become increasingly popular in recent years. However, misconceptions about these funds still abound, leaving many investors wary of the perceived risks. In this discussion, we'll delve into the myths surrounding category 3 funds and hear from industry experts on the true potential, challenges, and opportunities of investing in these alternative products

The panel consisted of Ravi Vukkadala, CEO, Northern Arc Investments, Shahzad Madon, Head - Alternative Assets, Nippon Life India AIF Management Limited, and Andrew Holland, CEO - Public Markets Alternate Strategies,Avendus Public Market Alternative Strategies LLP, moderated by Nisha Poddar, Editor and Anchor, CNBC TV18. They discussed the perceptions surrounding category three funds and the reasons behind it being called the "Wild West of investing". By breaking down several (mis)conceptions around leverage, funds, and the risk curve, the discussion emphasized the importance of explaining to investors the products they are investing in and how it fits into the risk curve to make them feel more comfortable.

Pros and Cons of Category 3 Funds and AIFs in Wealth Management

Ravi discusses the flexibility of category three investment products and how they allow investment managers to design products according to their preferences. He explains that the liquidity risk in credit risk funds can be mitigated through the use of category three funds, leading to increased traction from investors. Nisha asks if rising interest rates have resulted in



(From left to right) Ravi Vukkadala, CEO, Northern Arc Investments
Shahzad Madon, Head - Alternative Assets, Nippon Life India AIF Management Limited
Nisha Poddar, Editor and Anchor, CNBC TV18
Andrew Holland, CEO - Public Markets Alternate Strategies, Avendus Public Market Alternative Strategies LLP

Ravi Vukkadala
“ Category three funds provide flexibility for investment managers to design products according to their preferences. ”

Shahzad Madon
“ AIFs have higher potential for alpha generation and are seen as a more premium product. ”

Debunking the Myths of Category 3 Funds in India



(From left to right) Ravi Vukkadala, CEO, Northern Arc Investments
Shahzad Madon, Head - Alternative Assets, Nippon Life India AIF Management Limited
Nisha Poddar, Editor and Anchor, CNBC TV18
Andrew Holland, CEO - Public Markets Alternate Strategies, Avendus Public Market Alternative Strategies LLP

Andrew Holland
"Education is key to changing the perception of category three funds, and the government should provide a clearer tax framework."

Nisha Poddar
"Explaining the products investors are investing in and how it fits into the risk curve is important to make them feel more comfortable."

increased traction, and Shahzad adds that alternate investment funds (AIFs) have higher potential for alpha generation and are seen as a more premium product. However, they also carry higher risk and are not accessible to insurance and pension funds, which are more cautious in their investment approach.

Challenges and Potential of Category 3 Investment in India

Andrew emphasizes that the perception of these products as risky and the high taxation are the main obstacles to their growth. He suggests that education is key to changing this perception and that the government should level the playing field by providing a clearer tax framework. The discussion also touches on the minimum capital commitment regulation and the possibility of an accredited investor framework to address the issue of mis-selling. The speakers conclude that a holistic approach is necessary to make category three funds more attractive and transparent to investors.

Fireside Chat with Shri Ananth Narayan Gopalakrishnan, Whole Time Member, SEBI



(From left to right) Gopal Srinivasan, Founder and MD, TVS Capital Funds
Shri Ananth Narayan, Whole Time Member, SEBI

SEBI's Mandate for Sustainable Capital Formation

Shri Ananth Narayanspoke of the burgeoning growth of private capital in India, and SEBI's unyielding mandate for sustainable capital formation. India's private capital stands at a mere 5% of its GDP, lagging behind the rest of the world at 13% and the US at an impressive 25%. There is a pressing need to revitalize domestic capital and close the gap.

He discussed SEBI's three fundamental mandates of investor protection, market development, and market regulation, which all come together to ensure sustainable capital formation. He emphasized that SEBI takes all mandates very seriously, and the recent board meeting's statistics show that 45% of the changes made were developmental in nature. He credited the remarkable growth in the private capital space to the formalization and financialization of savings, which is part of a larger wave. Shri Ananth Narayan also highlighted the digitization and formalization happening in India, which is a once-in-a-lifetime opportunity.

Sustainable Capital Formation and AIF Regulations in India

As an organization, SEBI takes an informed approach to policy and strategy, believing in consultation, and inviting the public to share ideas on what they would like to see happen in the industry. The AIF space is critical for private capital, and SEBI ensures that the pace of growth is maintainable and sustainable. He explains that there is no significant issue with funds facing trouble in terms of liquidations. SEBI has analyzed the situation and found that there are only a handful of funds that will extend beyond two years. He emphasized the need for honesty in the ecosystem and urged fund managers to be transparent with their investors.

Fireside Chat with Shri Ananth Narayan Gopalakrishnan, Whole-Time Member, SEBI

Gopal Srinivasan

“ SEBI's three fundamental mandates of investor protection, market development, and market regulation come together to ensure sustainable capital formation. The recent growth in private capital in India is due to the formalization and financialization of savings, as well as the digitization and formalization happening in India, which is a once-in-a-lifetime opportunity. ”

Shri Ananth Narayan

“ The move towards having investments in a digital dematerialized (DMAT) form is a great step forward. The costs associated with DMAT are negligible and can save operational costs compared to going through the DMAT process. The future lies in adopting the Accredited Investor Fund (AIF) model, which is best practice internationally, starting with financially literate people who have the wherewithal, money, and sufficient funds to invest. ”

Move to DMAT Form - A Great Step Forward

The move is aimed towards having investments in a digital dematerialized (DMAT) form, which ticks all the boxes for fund managers, sponsors, investors, and regulators. Shri Ananth Narayan stated that the costs associated with DMAT are negligible and can save operational costs compared to going through the DMAT process. All the data asked for on a quarterly basis can become redundant if everything is available in DMAT form. He strongly advocated for technology solutions to address all investment-related issues.

The future of AI and regulatory frameworks in India

The discussion covered a range of topics, including the potential for AI to replace traditional investment models and the challenges of regulating the Indian financial system. Shri Ananth Narayan expressed hope for a consultative process to determine appropriate minimum lot sizes for AI investment and discussed the need for a more digitized approach to KYC and credit information repository management. The discussion also touched upon the regulatory differences between the SEBI and IFSCA regimes and how these may evolve over time to better align with the goal of sustainable capital formation.

Shri Ananth Narayan also touched upon some of the pressing regulatory challenges in the Indian financial sector. The conversation dived into the complexities of monitoring foreign ownership in BFSIs and underscored the critical need for establishing a unified repository. This approach aims to streamline and make sense of the diverse set of financial data, ensuring more coherent and informed decision-making. The introduction of a financial information repository in the recent budget has been widely acknowledged as a significant and necessary stride towards this objective. Gopal Srinivasan Founder and MD, TVS Capital Funds, lauded the regulator’s commitment to maintaining transparency and fostering a culture of open consultation. He pointed out that such an environment not only addresses current challenges but also attracts top-tier talent to the industry, setting the stage for innovation and growth.

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Indian Infrastructure Opportunity: Investing for the Future

India is on the cusp of a major infrastructure boom, and private equity investors have a golden opportunity to capitalize on it. With roads, sports, logistics hubs, and airports as the focus of discussion, a panel of experts shared their experience of investing and their outlook for the future. From renewable energy and ports to green investments, clean tech data centers, and digital infrastructure, there is no shortage of lucrative sectors to explore.



(From Left To Right) Manish Aggarwal, Sreekumar Chatra, Pushkar Kulkarni, Ami Momaya, Bhaskar Dasgupta

Challenges of investing in niche sectors such as clean energy

The discussion focused on various aspects of infrastructure development and investment in India. The panelists touched upon the possibility of attracting private capital for high-gestation projects and the use of credit enhancements to build infrastructure assets and auction them back into the public sector.

The discussion also shed light on the challenges of infrastructure development in niche sectors, such as clean energy, and the need for proof of scalability before investing in these sectors. There is a struggle to find enough deals for capital deployment, and the need to cut the link between state and government financing to enable states to raise independent sources of capital for longer-term deployment.

Challenges and Solutions for Building Long-Term Infrastructure in India

Execution capability and lack of talent are the key challenges in India's infrastructure financing teams. The sector is seen as not being as attractive as others, making it difficult to find people with a long-term perspective. Another challenge is the absence of domestic capital as the focus is on foreign capital. To address this, the panelists suggested that the government create a central repository of due diligence capacity that these institutions can tap into. Meanwhile, four things that need to be addressed to preserve and grow the domestic capacity include land acquisition, managing changes in scope, claim management, and dispute resolution.

The Experts Speak

Sreekumar Chatra, Managing Director, Infrastructure Funds, Edelweiss Alternative Asset Advisors

“We have focused on creating a diverse pool of investment deals to cater to investors of all sizes and preferences, ensuring that we are well-prepared to meet the varied demands of the market.”

Ami Momaya, Director - Infrastructure, KKR

“The importance of domestic capacity cannot be overstated, and we must work diligently to address execution, land acquisition, and dispute resolution issues to preserve and grow our domestic capabilities.”

Manish Aggarwal, Partner, Head – Infrastructure & Disinvestments, Head – Special Situations Group, KPMG India Services LLP

“Our discussion today highlights the critical need for capacity building at the state level and the vital role of domestic capital in driving long-term infrastructure development in India.”

Pushkar Kulkarni, Managing Director, Infrastructure & Sustainable Energies, CPP Investments

“Addressing the challenges in tapping into our vast pool of domestic capital requires enhancing the execution capacity within our institutions, and creating innovative structures to channelize this capital effectively.”

Bhaskar Dasgupta, Non-Executive Director, Apex MENA & India Boards (Strategic Development), Apex Group

“The talent gap in infrastructure financing is a significant challenge, and we need to attract skilled individuals to this sector, focusing on regulations, taxes, and complex financial structures to drive progress.”

IQ-EQ: Supporting Fund Managers with End-to-End Services



Atul Mucchala, Executive Director – India Operations, IQ-EQ

IQ-EQ is a global investors service provider with a strong presence in 24 locations worldwide. The firm recently expanded its reach with a new office in Mumbai, its 25th location. **Atul Mucchala, Executive Director – India Operations, IQ-EQ**, discussed the firm's offerings and services.

IQ-EQ provides end-to-end services for both onshore and offshore requirements for fund managers. The firm has a strong focus on supporting fund administration and is present in other key segments such as corporates and private wealth of family offices. With over 800 funds under administration and $750 billion dollars under management, IQ-EQ offers extensive experience and expertise.

With over two decades of experience amongst its senior associates, IQ-EQ brings a wealth of knowledge to its clients. It offers support for almost every fund structure, be it liquid or illiquid, asset class or hybrid, including real estate, private debt, and private credit.

Strong Footprints in India

IQ-EQ's footprint in India is already established, with a total AUF of $90 billion plus, which includes inbound and outbound investments, and more than a hundred Indian funds in its books. Its Mumbai and Hyderabad offices are catering to fund services and bringing the best practices and good value propositions to its AI clients.

Client testimonials attest to IQ-EQ's value as a business partner. As Atul noted, "We have a presence in various jurisdictions and our team is happy to serve you, be it from Mauritius, be it from Singapore or India". IQ-EQ's global presence and extensive experience make it a valuable partner for fund managers looking for end-to-end support.

In summary, IQ-EQ is a global investor services provider with a strong presence in 24 locations worldwide. The firm recently

expanded its reach with a new office in Mumbai, catering to fund services. With over 800 funds under administration and $750 billion dollars under management, IQ-EQ offers extensive experience and expertise.



The Expert Speak

> “ IQ-EQ provides end-to-end services for both onshore and offshore requirements for fund managers, and offers support for almost every fund structure, be it liquid or illiquid, asset class or hybrid.”



Exits: Creating Records in Value Creation

Macro Environment Affects Exit Valuations



(From Left To Right) Kartik Ganapathy, Gaurav Ahuja, Ranjit Shah, Santhanam Rajagopalan, Srinath Srinivasan, Swati Bhartia

Exit valuations are influenced heavily by various factors in the macro environment. The panel shed light on the volatility in exit valuations as a function of several factors including interest rates, geopolitical uncertainty, company-specific factors, growth prospects, and sectoral distribution. The speakers on the panel included representatives from Reliance, KKR, Warburg Pincus, and Zodius Capital.

Deal Making Changes: Premium for Profitable Growth and Structured Transactions

Over the last decade, there has been an increase in private equity exits. While exit premiums for stronger companies may still exist even in weaker exit environments, the premiums will narrow for weaker companies, and it may be challenging to find buyers for them. Longer deal times, a strong premium for profitable growth, and more structured transactions were identified as the three criteria that define deal-making currently.

Investing in First-generation Entrepreneurs Can Increase Exits

The panelists also agreed that investing in first-generation entrepreneurs rather than industrial groups or large business houses can increase exits. The speakers touched upon the decreasing exit value chart in IT and ITES companies and the fact that exits via public market sales account for about 46% of the exit value. Overall, private equity exits in 2022 realized about $17.62 billion worth of exits, which is down 52% in value terms compared to 2021.

Importance of ESG Integration for Private Equity Firms and its Impact on Exit Value

There are measures taken to limit intervention of family members and have a more professional management setup, structuring promoters' remuneration in alignment with investors, consolidating vehicles under a cold core structure, and the inculcation of ESG in the investment process. The discussion highlighted the importance of accelerating ESG programs within portfolio companies as it positively affects exit value. Private equity managers are also seeing an increasing

demand for proper ESG processes and metrics from investors, making it an important aspect to evaluate when committing capital.

The importance of being prepared for an IPO and complying with regulations was emphasized, as well as the need for alignment between the private equity firm and the promoter on where the exit is going to come from. The discussion also touched upon the length of time that private equity firms typically hold an asset and factors that can influence earlier exits, such as industry consolidation. Overall, the discussion provided insights into the considerations and challenges involved in exiting private equity investments in the Indian market.

The Experts Speak

Srinath Srinivasan, CEO, Oman India Joint Investment Fund

" Navigating the complex terrain of IPOs requires not just market acumen, but also a profound understanding of a company's internal readiness. Our strategy involves meticulous preparation, ensuring that companies in our portfolio are not just poised for market success but are also structurally ready for the rigors of a public listing. "

Swati Bhartia, Executive Group Vice President | Principal, Motilal Oswal Alternates

" Our commitment to successful exits is unyielding, irrespective of market conditions. By focusing on profitability and robust financial metrics, we enable our portfolio companies to stand out, even in challenging times. This dedication to excellence ensures that when the opportunity for an exit presents itself, we are ready to seize it. "

Gaurav Ahuja, Partner, ChrysCapital

" The journey to a successful IPO is intricate and demands a comprehensive approach. By focusing on both internal readiness and external market conditions, we guide our portfolio companies through this rigorous process, ensuring they are not just fit for the public market but are also positioned to thrive."

Kartik Ganapathy, Senior & Founding Partner, IndusLaw

" Today's discussion has illuminated the multifaceted nature of exits in the investment world, offering a panoramic view of the challenges and strategies essential for success. The insights shared serve as a valuable guide for navigating the complexities of the Indian investment landscape. "

Ranjit Shah, Managing Partner, Gaja Capital

" In the realm of exits, timing is crucial, but so is the readiness of the company and the nature of the buyer. Our approach is holistic, ensuring that we not only focus on maximizing value but also align our exit strategies with the broader market dynamics and our own motivations as a GP. "

Santhanam Rajagopalan, Managing Director, True North

" Our investment philosophy is deeply rooted in a long-term approach, aligning our exit strategies with market trends and the unique needs of each portfolio company. By maintaining a vigilant eye on the industry and fostering a culture of readiness, we ensure that we are always prepared to act when the right exit opportunity emerges. "

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24

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$750+ bn

Funds under administration

800

Supporting top PE firms*

11/15

Minimum senior team experience

20 yrs

Our expertise

Private Equity & Venture Capital



Real Estate



Energy & Infrastructure



Hedge Funds



Long-only / Mutual Funds



Debt / Credit



Digital Assets



Hybrid Funds



*Information correct as of 6 October 2022.

Venture Debt Report by Stride Ventures



Apoorva Sharma, Partner, Stride Ventures

Stride Ventures, a prominent venture debt provider, has released the second edition of its industry-wide venture debt report. The report highlights the significant evolution of venture debt over the past five years. In 2022, approximately $800 million was deployed in venture debt, marking a 2.6-fold increase compared to 2019. Venture debt deployment saw a 50% rise despite a 30% slowdown in VC equity. This growth can be attributed to increased awareness and education among LP partners, founders, and VC investors regarding the benefits of venture debt.

Working capital, runway extension, and capex emerged as the most popular use cases for venture debt. The survey conducted for the report involved 150 respondents, with a 50-50 split between founders and VC partners. The flexibility of structures was identified as the most crucial factor influencing the decision to pursue debt financing, followed by pricing. Founders now recognize the importance of partnering with lenders who provide support during challenging times without resorting to knee-jerk reactions.

In terms of deployment, $800 million was deployed across 170 to 180 deals in 2022, with an average deal value of $4 to $5 million. Comparatively, the USA witnessed an annual venture debt deployment of approximately $32 billion, which accounts for 15% of the venture capital inflows into the country. In contrast, venture debt in India represents only 5% of the venture capital investments, indicating its relatively under-penetrated state. This can be attributed to the shorter period of venture debt's existence in India, around eight years, compared to 25 years in the US, where it has achieved greater maturity.

The report concluded by predicting that B2B commerce, consumer-focused businesses, and electric vehicles (EVs) will be the most attractive sectors for venture debt deployment. This is down to the digital lending guidelines issued by the Reserve Bank of India which have impacted financial services and FinTech firms, making B2B commerce and EVs more appealing for venture debt investments.

IVCA - EY PE/VC Agenda – India Trend Book 2023

The IVCA - EY PE/VC Agenda - India Trend Book 2023 was launched by Vivek Soni, Partner - M&A & National Leader, Private Equity Services at EY. He highlighted key points from the report and provided insights into the current state and future outlook of the Indian investment landscape.

Vivek mentioned that the funding environment has changed significantly, with total investments in all asset classes decreasing from $75 billion in 2021 to around $56 billion in 2022, mainly due to a decline in large buyouts in the private equity space. However, sectors like infrastructure and real estate have witnessed significant growth and are expected to continue attracting investments due to their stable and predictable returns.

In the startup space, there has been a slowdown as investors have become more cautious about valuations are now focused on unit economics and profitability. Consolidation is expected to increase in 2023, with category leaders acquiring startups that lack a clear path to profitability. Private credit has also seen substantial growth as sellers seek bridge capital while waiting for more favorable valuations.

The report highlighted the shift in sectors attracting investments, with financial services and infrastructure/real estate taking the lead over technology and e-commerce. Vivek explained that the valuation dynamics and reduced growth rates have impacted technology companies, leading to a subdued outlook for large-scale deals in the IT/ITeS sector.

On the exit front, there has been a decline in exits compared to 2021, primarily due to the current market conditions. Vivek emphasized the importance of operational excellence for



(From Left To Right) Vivek Soni, Partner – M&A & National Leader, Private Equity Services, EY
Anand Unnikrishnan, Managing Partner - Fund of Funds, National Investment and Infrastructure Fund (NIIF)
Shri Satya Prakash Singh, Chief General Manager, Small Industries Development Bank of India (SIDBI)
Rajat Tandon, President, IVCA

private equity investors to create value, as companies with leverage in their capital structure will face increased interest costs.

India's market position was considered favorable, with increased interest from American LPs in allocating capital to emerging markets, particularly India. Vivek noted that India's strategic position and the massive fundraising by India-focused funds in 2022 support this positive outlook.

The report also highlighted the capital raised by India-focused funds, with private venture debt seeing significant growth. However, exits are expected to take some time to recover until there is a change in valuations. IPOs backed by private equity may also be limited until market volatility stabilizes.

Vivek concluded by mentioning the India @ 100 report by EY, which projects India to become a large economy with per capita income surpassing $15,000 by 2047. He encouraged readers to explore the report and provide feedback.

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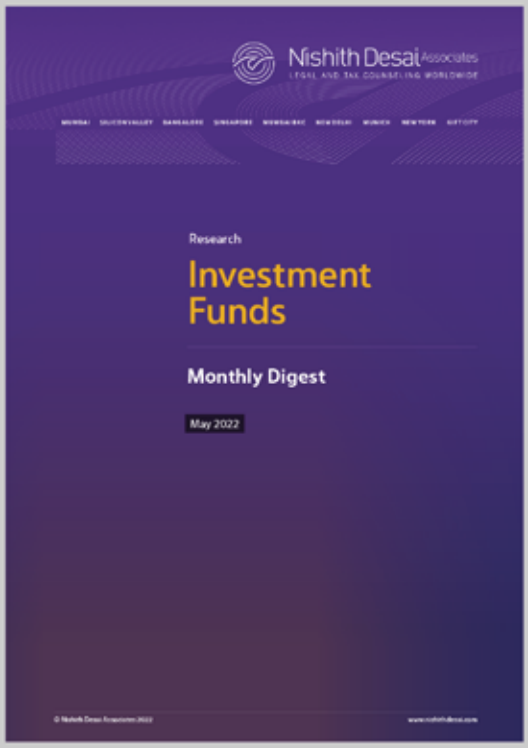
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Investment Funds

Monthly Digest



Fund Formation: Attracting Global Investors

Global, Regulatory and Tax Environment impacting India focused funds

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Trifecta Capital - BCG Venture Debt Report

Unleashing the Power of Venture Debt: Exploring India's Latest Startup Asset Class

Venture debt is a relatively new asset class in the Indian startup ecosystem. However, it has rapidly grown over the years, with almost a billion dollars of capital flowing into it. At the launch of a new report on Venture Debt, Rahul Khanna, Co-founder and Managing Partner, Trifecta Capital and Yashraj Erande, Managing Director and Partner, Boston Consulting Group (BCG) discussed the evolution of venture debt in India, its advantages, and its future prospects.

Rahul revealed that the journey began in 2015 when they identified a gap in the market for growth capital that was not as expensive as equity. Since then, venture debt has become an essential part of the capital structure of Indian startups.

The Homegrown Success Story:

Despite the rapid growth of venture debt in India, there are no global venture debt brands in the country. All the credit goes to domestic capital, including banks, insurance companies, development finance institutions, and family offices. As Yashraj pointed out, it has led to a homegrown success story that has raised the trust of founders and CXOs.

When and How to Raise Venture Debt:

Although venture debt is a viable financing option for startups, there is still not enough awareness of it among founders. The conduits for raising venture debt are currently through the board or equity investors. Hence, Rahul emphasized that the industry needs to do a better job of getting the word out to founders.

Yashraj Erande
"It has led to a homegrown success story that has raised the trust of founders and CXOs."



Team Trifecta & Team BCG

Use Cases of Venture Debt:

Venture debt provides startups with an alternative financing option to equity that can help them scale faster. It is suitable for startups that are post-series A and need growth capital but do not want to dilute their equity. It is also ideal for startups with a clear path to profitability or cash generation.

The Future of Venture Debt in India:

Venture debt has come a long way since its inception in India. It has grown tremendously on the supply side, with almost a billion dollars of capital flowing into it. As for the future, Yashraj and Rahul believe that the asset class has enormous potential, and there is still a lot more ahead of us. The venture debt asset class in India is a homegrown success story that has rapidly evolved over the years. Its advantages are numerous, and startups can benefit greatly from it. With the continued growth of venture debt in India, it is clear that the asset class has enormous potential, and the future is bright.

Rahul Khanna
"Venture debt has become an essential part of the capital structure of Indian startups, and we believe it will continue to grow in the coming years. As the ecosystem matures, we expect to see more specialized venture debt funds emerge, which will further fuel the growth of this asset class."

EY - Peer Capital E-Commerce and Consumer Internet Sector - India TrendBook 2023



(From Left To Right) Kartik Reddy, Chairperson, IVCA & Co-founder and Managing Partner, Blume Ventures
K T Chandy, Partner, EY Private
Surabhi Marwah, Partner, EY Private
Ankur Pahwa, Managing Partner, PeerCapital
Rajat Tandon, President, IVCA

Regarded as the world's fastest-growing economy, India is expected to witness impressive growth of 6.1% YoY in 2023. This bodes well for every industry, but given the government's key focus on creating a digital India, the e-commerce and consumer internet sectors in particular are expected to flourish.

With rapid improvements in digital infrastructure and an overwhelming acceptance of digital solutions and services in the country, India's e-commerce and consumer internet sectors have seen immense progress in recent years. To dig deeper into the recent trends of the industry, EY, in collaboration with IVCA, launched the E-commerce and Consumer Internet Sector–India Trendbook 2023.

The panel of experts present for the report launch consisted of Surabhi Marwah, Partner, EY Private, KT Chandy, Partner, EY Private, Ankur Pahwa, Managing Partner, PeerCapital, and Kartik Reddy, Chairperson, IVCA & Co-founder and Managing Partner, Blume Ventures. The launch event consisted of intricate discussions on the findings of the report: the increase in investments, optimistic views on early-stage businesses, budding new sectors supported by digitization, and so much more.

Optimistic Focus On Early-Stage Companies

KT Chandy opened the session by discussing the growing momentum of the e-commerce and consumer internet sectors thanks to an increase in investments resulting from positive events such as mass digitization, improvements in digital infrastructure and financial infrastructure, and the companies themselves getting their metrics under control.

A particularly interesting finding of the report was that early-stage startups were given a generally more optimistic outlook in the industry, with the total PE/VC funding raised by Indian e-commerce and consumer internet start-ups in 2022 reaching a total of US$15.4 billion, nearly doubling the amount of US$8.2 billion from 2020. This is an incredibly promising sign for the furtherment of the industry and signifies the start of a prolific age of progress.

The Power of Digitization: Exciting New Sectors

As digitization continues to sweep across the e-commerce and consumer internet industries, we can see the emergence of a plethora of exciting new sectors. This idea was thoroughly discussed throughout the event by Ankur Pahwal.

The digitization of the supply chain is expected to result in greater verticalization and more specific markets. Enabling businesses such as logistics businesses, tech businesses, and payment-enablement businesses are expected to see a great deal of development with the increase in cross-border payments as exports grow. Similarly, the influencer and creator economy is another key sector that is tipped to accelerate in the years to come.

EY - Peer Capital E-Commerce and Consumer Internet Sector - India Trend Book 2023

Other sectors that were highlighted as areas of interest for the panelists included agritech, cleantech, and healthtech. Interesting companies have been emerging in these domains that are likely going to play a major role in creating future disruptions within these industries.

Key Quotes From the Report Launch

KT Chandy

" We think the report points to a considerable sort of increase in investment given all the good things that are happening: digitization, the digital infrastructure, the financial infrastructure, and the companies themselves are getting their metrics together, getting their metrics under control, and so on. "

Ankur Pahwa

" I think we clearly know that we are seeing the supply chain get digitized more and more. There is a huge opportunity there. "

" I think digitization opportunities will create some breakout companies this year. Supply chain from a company point of view is getting more verticalized, it is more specialized, and in general, the tailwinds that you know exist because of Make in India manufacturing, the PLI aspects, plus the "China Plus One" supply chain lock that's happening for India. "

" As we think about where digitization is going, where the new users are coming on, and the entire journey from interaction to transaction, the entire gamification of that is just scaling quite rapidly. "

Kartik Reddy

" It's great to see new managers building their own convictions on what they want to invest in. I think the foundation of the new sort of thrust in e-commerce will be built by younger, newer managers. "

" The costs of being able to build these models have just dropped dramatically, which means that the entire power shift has shifted to new-age entrepreneurs. I think there'll be a lot of responsibility on their shoulders to build frugally. Given what we've seen in the last two or three years, I don't think there's easy money chasing in these businesses until you actually show unit math much, much earlier in the life of the company. "

India PE-VC Investments Landscape 2022



Sriwatsan Krishnan, Partner, Bain & Company

A record-breaking 23 new unicorns were added in 2022, double the number added by China, and the total deal value reached $60 billion, higher than any pre-Covid years! Here are some key highlights from a VC and PE report on the Indian PE-VC landscape in 2022 focusing on deal value, the share of India in the APAC PE-VC landscape, sectors, ESG-themed investments, and unicorn growth.

Decline in Deal Value and Shifting Investor Priorities

Sriwatsan Krishnan, Partner, Bain & Company India presented a snapshot of prevailing trends in the VC-PE sphere. He opined that the decline in deal value was mainly due to a decrease in the average deal size, as the deal volume remained steady. Banking and financial services continued to be strong, with about $10 billion in deal value, while other traditional sectors performed well. SaaS and FinTech sectors picked up significantly, with ESG-themed investments, such as mobility, climate, and sustainability investments, doubling from the previous year.

The share of India in the APAC PE-VC landscape has increased by 5% at the expense of China, accounting for 20% of the market. The rising trend of direct investment by global funds has also increased to 50% from historical rates of 20-30%. The investor landscape has also grown, with about 700 funds operating in India and an increase in micro VCs and smaller VCs. The investor priority has shifted towards profitability, and there is a rising venture debt ecosystem.

Cautious Outlook Amid Regulatory Landscape and Low IPO Activity

The regulatory landscape has been mixed, with the enabling of the digital ecosystem through simplification of tax rules and payment rails. However, the PPI ruling was interesting for the FinTech landscape. IPO activity has sharply declined, with about 10 large IPOs pulled out in the second half of the year, leading to a decline in exits.

The outlook for the next year is expected to be reasonably cautious, with the year divided into two halves. The first half is predicted to be characterized by caution and consolidation, while the second half is expected to be marked by an acceleration in investments.

The private equity and venture capital market in India has reached a mature stage, with a threshold of about $50 to $60 billion in investments. The market's resilience and growth are attributed to India's favorable demographics and technological advancements, such as digitization,

e-commerce, and the adoption of innovative solutions.

India's private equity and venture capital market is expected to continue growing, driven by the digital economy's growth and innovative solutions. The rising trend of ESG-themed investments and direct investments by global funds is a positive trend. However, caution is advised as the regulatory landscape remains unpredictable, and IPO activity remains low.

The Expert Speak



Sriwatsan Krishnan

" India's private equity and venture capital market displays impressive growth and resilience amid the pandemic, with a record-breaking 23 new unicorns added last year, double the number added by China, and a total deal value of $60 billion, higher than any pre-COVID years.**"**



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Celebrating Triumphs: The IVCA PE/VC Awards 2023

In a grand celebration that gathered luminaries from the world of private equity and venture capital, the IVCA PE/VC Awards 2023 paid homage to remarkable accomplishments and pioneering initiatives within India's alternate capital community. The event brought together esteemed industry leaders, investors, and innovators to recognize and applaud the triumphs of the past year. With a spotlight on excellence and innovation, the awards honored trailblazers who have redefined the boundaries of the industry, showcasing their extraordinary contributions to the dynamic and ever-evolving landscape of alternate investment in India.

The IVCA PE/VC Awards stand as a testament to the robust growth and potential of India's investment sector, reflecting the resilience, creativity, and relentless pursuit of excellence that characterizes this vibrant community.



IVCA PE/VC Awards

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Managing Director & CEO,
Invest India



Shri. UK Sinha
Former SEBI Chairman



Anita Marangoly George
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Vivek Pandit
Senior Partner,
McKinsey & Company

IVCA PE/VC Awards

WINNERS



Domestic Private Equity:
Best fundraising performance of the year
Eversource Capital

International Venture Capital:
Best fundraising performance of the year
Accel

Domestic Venture Capital:
Best fundraising performance of the year
Fireside Ventures

Venture Debt Funds:
Best fundraising performance of the year
Trifecta Capital

Private Equity:
Best exit performance of the year

Kohlberg Kravis Roberts & Co. (KKR)

IVCA PE/VC Awards

WINNERS



Venture Capital:
Best exit performance of the year
Chiratae Ventures

New Fund Entry:
Outstanding achievement of the year
Aditya Birla Ventures

Corporate Venture Capital:
Best performing fund award
Bertelsmann India Investments

Social Impact award:
Northern Arc

Outstanding Action for Gender Diversity:
Quadria Capital

Celebrating Maximum India – MIC Curtain Raiser and IVCA Investor Partner Cricket League 2023







IVCA embraced the spirit of 'Maximum India' with the MIC (Maximum India Conclave) Curtain Raiser event. Aimed at promoting India as an inevitable investment destination, this dynamic gathering brought together LPs and GPs from various regions in a celebration of opportunities and collaborations.



The MIC Curtain Raiser witnessed enthusiastic participation from distinguished delegates and speakers from the Government and alternate capital industry, fuelling excitement for the potential of India's investment landscape.



The thoughtfully curated agenda explored crucial themes, including LP-GP communications, due diligence, climate investing, and tech investments within India's thriving startup ecosystem. Engaging panel discussions, fireside chats, and keynote addresses provided valuable insights and a deeper understanding of the potential India holds for the investment community.

































Beyond insightful discussions, the IVCA Investor Partner Cricket League 2023 added a touch of sportsmanship and camaraderie to the event. Industry professionals engaged in friendly competition, showcasing their talents and strengthening connections, all while fostering a sense of unity that defines the alternate capital community.

As the MIC Curtain Raiser drew to a close, participants departed with a renewed sense of optimism and inspiration for India's investment landscape. Armed with fresh perspectives and meaningful connections, the IVCA community stands united in its commitment to transforming India into a flourishing investment hub.

How do you preserve what you've built to thrive in what comes next?

Supporting you in solving the "what now" to define the way to "what's next."

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Sagar Agarvwal
Cofounder &
Managing Partner.



Anuj Golecha
Cofounder &
Partner



Navin Surya
Fintech Expert
Partner

Growth Stage Fintech
Focused Investment Strategy

10-12 investments
Concentrated portfolio

$10-15Mn Checks
With Co-Investments from LP's

FUND HIGHLIGHTS

$120 Mn
India's 1st Growth Stage Fintech Fund Launched

1.33x
Current Returns on Portfolio

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The Role of Innovation, Collaboration, and Investment in Shaping India's Economic Future

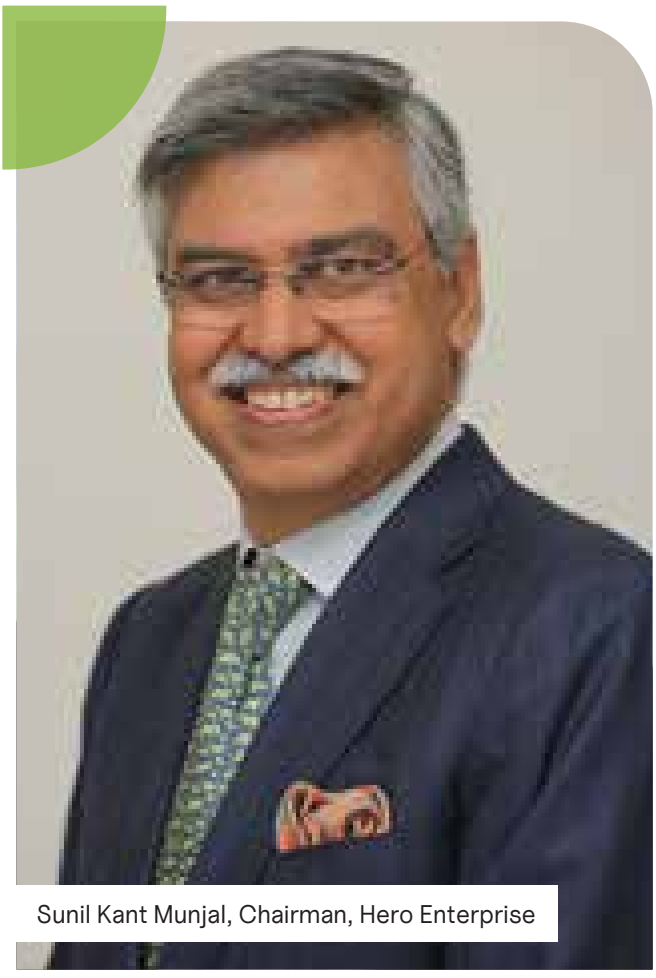
The MIC Curtain Raiser commenced by underlining the event's focus on unified action by investors and India's potential across various entrepreneurial domains. The overarching objective of MIC is to transform India into a sought-after hub for fund managers.

India has myriad economic opportunities, but investor support is critical to ensure that these opportunities are adequately leveraged. Sunil Kant Munjal, Chairman, Hero Enterprise while addressing the gathering, emphasized the pivotal role of the investor ecosystem in India's growth trajectory. Conventional "steady state" businesses, driven by efficiency and automation, often fall short in generating ample employment opportunities. This can only be solved through a paradigm shift driven by continuous startup-led innovation. The success of startups should not be gauged solely by market value but also by the positive societal and community impact they impart. There is a need for a collaborative approach, encouraging companies of all sizes to support smaller startups, fostering an ecosystem for novel ideas and innovation.

Dubbed the "Golden Age of Startups," Munjal recognized the inevitability of failures along the journey. However, the resilience of entrepreneurs to persist until success is achieved will define India's future. The country’s aspirations are aligned with Prime Minister Narendra Modi's vision of India becoming a fully developed nation before completing 100 years of independence. A robust manufacturing sector is poised to create substantial employment, reducing reliance on the service industry.

The rejuvenation of the rural economy forms a pivotal aspect of this vision, capitalizing on India's artisanal heritage and nurturing holistic growth.

Mentorship, support, and funding will play a catalytic role in propelling India's growth trajectory. In his closing remarks, Munjal underscored investors' significance in taking India to the forefront of innovation and international prominence. As India endeavors to ascend the ranks of global innovation, investor collaboration will be a cornerstone to the nation's success.



Sunil Kant Munjal, Chairman, Hero Enterprise

CHRYSCAPITAL

Founded in 1999, ChrysCapital is one of the largest and most established India focussed investment firms, with $5 billion raised across 9 private equity funds.

The firm uses its deep domain experience to make minority growth and control investments in the Business Services, Financial Services, Healthcare, Consumer / Digital Economy, and Manufacturing sectors.

Since inception, ChrysCapital has invested more than $4.0 billion across 100 deals, and realized $6.5 billion from 77 full exits.

We are honoured to have partnered with some of the most respected entrepreneurs in India over the past two decades, and thank our partners for their invaluable support.

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Capital Raised since Inception

$4.1 billion
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ResultsCX	IDFC Mutual Fund	Mankind	firstcry.com big store for little ones	Livguard energy unlimited
GeBBS Healthcare Solutions	NSE	Eris Lifesciences	Xpressbees delivering happiness	Safex Caring for you to grow
Quest Born to Engineer	varthana	Corona Remedies Pvt. Ltd.	awfis where work meets life	Wishful aurelia TCNS Clothing Company Pvt. Ltd.

Impact Investing: Challenges and Solutions

In a fireside chat, Arvind Agarwal, Founder/CEO, C4D Partners, and Syna Dehnugara, Lead of Private Market Expansion, Trica, discussed impact investing and the challenges faced by impact funds in India. Impact investing aims to generate positive social or environmental impact alongside financial returns. For many years, impact investors have actively sought opportunities that align with their values and contribute to a more sustainable and equitable world. However, this hasn't always worked out as planned.

Current State in India

Opening the discussion, Arvind emphasized the need for a balance between impact, financial return, and technology in defining an impact fund. He also highlighted the importance of aligning the exit strategy with the promised impact and ensuring alignment of interest between LPs, GPs, and portfolio beyond financial returns.

Syna raised the issue of SEBI regulations and their impact on the definition and viability of social venture funds in India. Current regulations treat impact funds as venture capital (VC) funds, which may not align with their long-term, patient capital approach. Arvind suggested changes such as longer fund life, lower management fees, and incentives aligned with impact goals to make impact investing more fruitful for GPs.



(From left to right) Arvind Agarwal, Founder/CEO, C4D Partners
Syna Dehnugara, Lead of Private Market Expansion, Trica

Arvind Agarwal
"Having one definition of impact is difficult because we have a lot of societal problems. Fund managers, based on expertise, need to identify one or two key KPIs to chase."

Challenges and Potential Solutions

In terms of measuring impact from an LP perspective, Arvind proposed that impact funds should identify KPIs aligned with their expertise and focus on achieving those goals. Both speakers emphasized the need for LPs to ask tough questions about impact measurement and alignment of incentives. A balance between debt and VC fund returns is an appropriate target for impact funds in India.

They addressed the issue of overallocation of impact funds into specific domains or areas, such as microfinance in the past and currently EVs and agritech. Arvind emphasized that microfinance is no longer considered impact investing and highlights the negative impact of excessive borrowing and debt traps created by the sector. He also mentioned the tendency for investors to follow trends and cluster around certain sectors, which can lead to a lack of product innovation and exploration of new markets.

Learnings from Global Markets

The conversation moved on to discuss the role of global impact funds in India and how they can address these challenges differently from traditional VCs. Arvind mentioned good practices observed globally, such as impact investors providing risk capital for other investors who may not be as impact-oriented, and the need for a mix of capital in India's impact investing landscape.

Towards the end of the chat, Arvind explained the concept of linking carry incentives to impact objectives. Instead of a fixed 20% carry interest, he suggested tying the percentage to the impact promise made by the fund. This would mean that the carry percentage would decrease if the fund underperformed on its impact goals, aligning financial returns with impact outcomes.



Arvind Agarwal, Founder/CEO, C4D Partners

LP Views on LP-GP Communications, Due Diligence and More



(From Left To Right) Rajeev Kalambi, Ajit Kumar, Piyush Jhawar, Unmesh Kulkarni, Varun Divgikar

The IVCA's Maximum India Conclave kicked off with an engaging panel discussion on LP GP Communications. Rajiv Kalambi, General Partner, Cactus Venture Partners, welcomed the audience to the event and introduced the panelists who represented a wide cross-section of the LP community, investing across stages, geographies, and asset strategies. The esteemed panel consisted of Ajit Kumar, Managing Partner,Evolvence India Fund, Piyush Jhawar, Director, Stratford House Advisors, Unmesh Kulkarn, Managing Director Senior Advisor, Head - Markets IWMS, Julius Baer, and Varun Divgikar, Investment Director, Idi EM Partners.

Each panelist provided a brief introduction to their backgrounds and areas of expertise.

Ajit Kumar from Evolvence India Fund highlighted their experience as a fund of funds, co-investor, and direct investor in India. Piyush Jhawar from Stratford House discussed their role as an intermediated platform providing tailored solutions to LPs and GPs, including non-fund advisory services and fund-based secondary solutions. Unmesh Kulkarni from Julius Baer spoke about their focus on private banking and wealth management, advising clients on traditional and alternative asset classes. Varun Divgikar from Idi EM shared their experience as a fund of funds investing across emerging markets, including India.

Criteria and Deal Breakers for GPs

The discussion then shifted to the criteria and deal breakers that LPs consider when evaluating GPs. Ajit Kumar emphasized that first-time fund managers face challenges in raising capital and need a clear differentiator to attract investors. Honesty, a compelling story, and resonating diligence throughout the process were crucial. Diligence involved thorough assessments by institutional investors, including operational background checks and audits conducted by third-party consultants. Corporate governance standards, transparency in disclosures, and effective communication were also key factors in the diligence process. Overall, LPs were becoming more thorough in their scrutiny of fund managers due to the increasing number of managers entering the market.

a focus on clarity, conciseness, and credibility in reporting. Understanding LPs' perspectives and time constraints is crucial, and Indian GPs are generally seen as transparent compared to global standards. However, continuous

Diligence Disconnect: Addressing the Gap between Pitch and Execution

The panel discussion focused on various aspects of diligence in investment management. They highlighted the occasional gap between the pitch made by funds and the actual diligence conducted. It is emphasized that fund managers should be honest and stick to their stated strategies while remaining open to adapting them if necessary. Transparency and open communication with Limited Partners (LPs) are considered essential for maintaining trust. The panel also discussed the specific diligence considerations for high net worth individuals (HNIs) and industrial families, emphasizing sustainable businesses and strong founding teams. They stressed the importance of comprehensive due diligence throughout the investment lifecycle and maintaining a strong GP LP chemistry. The quality of management information systems (MIS) is mentioned, with a focus on clarity, conciseness, and credibility in reporting. Understanding LPs' perspectives and time constraints is crucial, and Indian GPs are generally seen as transparent compared to global standards. However, continuous improvement and open communication with LPs are recommended for further enhancement.

Enhancing Investor Confidence: Key Considerations for Fund Managers and LPs

The discussion also highlighted key considerations for fund managers and LPs in the investment industry. One important aspect was providing a data room rather than overwhelming investors with excessive information. "Know Your LP" (KYLP) is emphasized as crucial for fund managers to understand their investors' preferences. When evaluating funds, LPs appreciate not only the financial track record but also softer aspects such as the manager's narrative and conviction in their investment strategy. The discussion mentioned the appeal of first-time managers who bring a burning desire to perform and differentiate themselves. Entrepreneurial instinct, strong risk management, and a clear exit strategy are considered important qualities for GPs.

It is noted that the Indian private equity ecosystem has evolved, and fund strategies should reflect core strengths rather than being opportunistic me-too players. Alignment with LPs and having skin in the game are also seen as essential. Proactive and transparent communication from GPs, especially during challenging times, is highly valued. Providing online access to LPs and striking a balance between providing necessary information and avoiding information overload are important considerations. The discussion emphasized the need for timely and proactive communication, even when things go wrong, to maintain trust and transparency with LPs.

Nurturing Trust: The Power of Effective Communication in Private Equity and Venture Capital Investments

Emphasis was laid on the importance of effective communication in private equity and venture capital investments. There is a need for transparency, honesty, and timely reporting when things go wrong in order to build trust among investors. The challenges faced by GPs in communicating with clients and managing their expectations were also addressed. Suggestions for effective communication include maintaining an online presence, organizing investor conclave for two-way communication, and proactively communicating with investors, especially those

with non-financial aspects. The panel concluded by highlighting the significance of managing the process and promptly sharing information, both positive and negative, with investors. Additionally, it mentioned the practice of having quick calls to get a high-level overview of the portfolio and address concerns.

The Experts Speak



Rajeev Kalambi

“ Ensuring effective communication between GPs and LPs is crucial, especially in the context of managing expectations and navigating the complexities of investment portfolios. Today, we've delved into strategies to enhance this communication, discussing the importance of transparency, timely updates, and the role of technology in facilitating these interactions. ”

Unmesh Kulkarni

“ Understanding LPs' perspectives and time constraints is crucial, and Indian GPs are generally seen as transparent compared to global standards. ”

Ajit Kumar

“ First-time fund managers face challenges in raising capital and need a clear differentiator to attract investors.”

Varun Divgikar

“ Ensuring alignment with our Limited Partners is paramount in building trust and driving mutual success. By having 'skin in the game,' we demonstrate our commitment to the fund’s performance, aligning our interests directly with those of our investors. This not only fosters a sense of shared responsibility but also ensures that we are collectively invested in navigating challenges and celebrating successes together. ”

Piyush Jhawar

“ Transparency and open communication with Limited Partners (LPs) are considered essential for maintaining trust. ”

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Achieving Net-Zero Emissions: Establishing Global Standard for Green Investment

In his address on global climate goals, Shri Jayant Sinha, Chairperson, Parliamentary Standing Committee on Finance, discussed the need for countries to achieve net-zero emissions by 2050 and assist less ambitious nations in reaching this goal. He emphasized the importance of segregating countries into two groups, Group A and Group B, and focusing on sector-specific pathways for industries like steel, cement, and fertilizers. By aligning transformational pathways between companies in different regions, mechanisms like the CBAN (Carbon Border Adjustment Mechanism) can be avoided.

He emphasized the necessity of a revamped global financing system to support climate-related initiatives. He acknowledged that the Global North possesses the capital to unlock private sector investment from north to south. Multilateral development banks (MDBs) and development finance institutions (DFIs) have a crucial role in risk management and direct investments, while local green agencies in the Global South can facilitate capital flows.

The establishment of global standards for green investments and sectoral pathways was highlighted as an enabling factor. This also means recognizing the importance of mobilizing private sector capital, rather than relying on increased budgetary resources. He further highlighted that the venture capital and private equity industry would play a significant role in green investing and unlocking resources for sustainable investments.

Shri Jayant Sinha mentioned various financial instruments being discussed, including currency hedging facilities, credit guarantee programs, and climate fund of funds. These blended capital instruments aim to attract private sector investment, with MDBs and DFIs playing a role in supporting green investments. He also highlighted the potential benefits of climate initiatives for both the Global South and the Global North in terms of technology, protecting returns, job creation, and competitiveness.



Shri Jayant Sinha, Chairperson, Parliamentary Standing Committee on Finance

The address outlined the ongoing efforts within the G20 process to establish a climate club or alliance. Working groups at the sectoral level have been established to develop sector-specific pathways and propose standardized instruments, blended finance approaches, and fund commitments. The aim is to finalize these initiatives and make significant announcements at the G20 summit.

The key takeaways from the address were the importance of international

Achieving Net-Zero Emissions: Establishing Global Standard for Green Investment

collaboration, private sector investment, and financial restructuring to achieve climate goals while benefiting both developed and developing nations.

In the Q&A session that followed the address, Shri Jayant Sinha went on to discuss the importance of focusing on other investment opportunities in India, such as electric mobility, solar energy, and energy conservation, which could attract significant capital and provide high commercial returns. He urged the venture capital and private equity industry to take advantage of these opportunities and advocated for the need to build a strong investment pipeline to drive decarbonization efforts. He highlighted the urgency of addressing climate change and the potential economic consequences, citing Pakistan's 20% GDP loss due to climate-related issues and discussed the need for informed capital and the lack of financial products for early to mid-stage companies. He concluded by focusing on the importance of establishing global standards for green financing to prevent greenwashing.

> Shri Jayant Sinha
>
> The time for incrementalism in climate is over. We have to be radical now. Every day we are losing, we are losing time.

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Climate Investing: High Impact Strategies for Sustainable Solutions

The quest for net zero is radically reshaping our business landscape. Across every industry, topics of carbon neutrality and climate change are now extensively discussed. Carbon neutrality and climate change are extensively discussed, aiming to balance emissions with removal and storage in carbon sinks.

Sanchayan Chakraborty, Partner, Aavishkaar Capital, emphasizes investing in communities as the clearest path to net zero. This approach involves local communities and farmers in achieving carbon neutrality.

According to Sanchayan, the clearest and most beneficial path to net zero is by investing in our communities. In his own words, "When we looked at the climate problem, we looked at it from the lens of what it does for the communities and how we can involve the communities in creating a solution." As prominent impact investors, Aavishkaar Capital understands the critical role of investments in uplifting communities to solve global challenges, and the climate crisis is no different.

A Different Perspective: Through the Eyes of Our Farmers

Currently, the majority of investments in the sustainability sector are made in renewable energy; this includes solar panels, electric mobility, wind energy, and so on. These are all solid investments, but now, with the climate crisis continuing as a monumental threat, we must do more.
Sanchayan introduced the audience to the case of Tapan Das , a farmer from a village called Baghhudi in Bengal, who has an interesting story to tell.

Agriculture currently contributes to approximately 15% of all carbon emissions, whereas farmers face the severest consequences of climate change. People like Tapan live at climate thresholds with occupations that are largely dependent on nature. So, it is only right that investments made to achieve carbon neutrality directly support farmers like him.

With this idea in mind, Sanchayan discussed Tapan's life in greater detail. Farmers living in this area can only farm once a year in the Kharif season since rain-fed agriculture is the only possibility due to a lack of resources to invest in irrigation. In fact, many farmers here, including Tapan, migrate to Kerala to work in the tourism sector during the other seasons.



Sanchayan Chakraborty, Partner, Aavishkaar Capital

Moreover, farmers are only able to farm on small pieces of their land due to a lack of resources, often leaving acres completely unutilized.

So how does the global quest for net zero involve farmers like Tapan? Sanchayan put forward the idea that by investing in our farmers and giving them the resources, capital, and knowledge to completely utilize their land assets, we can move forward together. Furthermore, since the entirety of our emission offsets come from nature and farmers serve as the custodians of our natural resources, investing in them is an investment in a greener tomorrow.
resources, investing in them is an investment in a greener tomorrow.

The Strategic Roadmap: Investing in a Greener Tomorrow

Aavishkaar Capital's strategic roadmap involves creating a fund that invests in an investee company, which then supports communities and farmers. This company then invests in the larger community and areas in need. So, investments don't go to a single person; they can involve thousands of farmers at once.

Investments here can take many forms. The speakers added, "You give them saplings, you give them inputs, you give them training, you teach them to increase carbon in the soil, but also encourage them to plant trees and take care of mangroves." For farmers like Tapan, who may not be able to perform agriculture across their entire land areas, they can use the remaining area to plant trees and practice regenerative processes. Investments may include providing resources, training, and encouraging tree planting.

The Prospects of This Budding Carbon Market

Understanding the roadmap, we can see that this can be a highly investable market. The voluntary carbon offset market is expected to grow to $10–40 billion in value by 2030. Furthermore, the offset is expected to reach 7 to 13 gigatons by 2050. These numbers all point to only one outcome: the carbon market will continue to thrive.

Currently, for such projects, carbon costs $15–20 per ton, which can go to $80-100 per ton depending on how fast the demand moves. As companies continue to get pushed by their stakeholders to come up with net zero commitments, and with about 600 companies signing on to net zero commitments every quarter, this market can only grow larger.

Investing in What Matters

Aavishkaar Capital discusses a project involving 10,000 hectares of land and 7 million trees, supporting farmers, climate solutions, biodiversity, and a sustainable future. This area does not just represent a massive opportunity for profit; it also encompasses solutions to climate change, uplifting communities, saving biodiversity, and creating a more sustainable future for us all. It allows us to directly fight against climate change while supporting our farmers and giving them the opportunity to flourish. By investing in these strategies, we can build a greener future and take massive strides towards complete carbon neutrality.

Tech Investments in 3rd Largest Startup Ecosystem: 2022 in Review and Outlook for 2023

In 2022, VC investments were down both globally and in India. This has had an impact on the ever-growing startup ecosystem in the country. A panel made up of industry leaders with funding experience all the way through from pre-seed to buyout and growth, discussed the state of VC investments, the opportunities in India, and their respective investment strategies.

Envisioning the Future

Regarding their predictions for 2023, the panelists expressed varying views. Anupam Khaitan, Executive Director, Capital Square Partners anticipated the scaling up of Series A investments and attractive opportunities due to corrected valuations. Anisha Singh, Founder, She Capital, Founder and Ex CEO mydala.com,emphasized the increasing number of entrepreneurs and their conservative approach, which aligns with her investment philosophy. Nitin Sharma, General Partner and Co-Founder, Antler India highlighted the significant growth in early-stage investments and the abundant entrepreneurial opportunities in India.



(From Left To Right) Priya Rajan, Anupum Khaitan, Anisha Singh,Nitin Sharma, Anuradha Ramchandran, Vikram Gupta

However, the panelists maintained a positive outlook for the future of funding, with a focus on early-stage investments, unit economics, and profitability. They highlighted the positive sentiment of limited partners (LPs) and the availability of dry powder for investments, indicating that LPs are seeking promising investment opportunities in both early-stage and growth/late-stage companies.

Market Sentiment in India

Anisha highlighted the challenges faced by her gender fund, which was initially perceived as an NGO but has now proven the potential of women-led businesses. They have seen positive developments and successful exits, positioning them favorably. Despite a slowdown in LP sentiment, domestic investments in India are still significant.

Nitin mentioned the evolving sentiment around India, emphasizing the shift from copying foreign models to creating unique platforms and products. Younger founders and those from tier two cities are gaining traction among LPs. The challenge lies in establishing differentiation in a crowded market. The seed fundraising stage takes longer, but mortality rates are not a concern.

Anuradha Ramchandran, Managing Partner, TVS Capital Funds, added that the domestic LP perspective differs based on factors such as institutional investors versus family offices and the fund's stage. Existing investors showed confidence by reinvesting in their first fund. Fintech, e-commerce, and enterprise sectors continue to attract the bulk of investments.

Shifting Focus in the Investment Landscape

Vikram Gupta, Founder and Managing Partner, IvyCap Ventures, highlighted the importance of proving a business model for platform plays and advised founders to remain focused on solving the problem and keeping their teams together. He emphasized that this is a good time to build aggressively, considering both organic and inorganic opportunities. Nitin echoed the sentiments of focusing on the long-term vision and thinking big. He mentioned that founders need to strike a balance between caution and taking risks, as the goal is not just survival but also proving the reason for their existence or achieving product-market fit.

Anupam, from the perspective of leverage buyouts, emphasized the importance of expense management for generating cash flows that can be used to repay debt and explore inorganic acquisitions. He also expressed excitement about India's progress in moving up the value chain in the tech world and highlighted the profitability and resilience of Indian companies.

The speakers expressed optimism about the investment landscape in India and advised founders to stay focused, conserve cash, take calculated risks, and make the most of the current opportunities. They highlighted the strength of Indian companies and the potential for growth and success, even in challenging times.

The Experts Speak

Anisha Singh

"I'm super excited about this time because this market reset had to happen and founders had to get real. As a result, for the first time we're talking unit economics."

Nitin Sharma

"A lot of our LPs are noticing how India has gone from services to products, to having platform companies now."

Anuradha Ramchandran

"The later you go, the need for reserving capital for the same company becomes a little bit lesser. We walk that balance with continuing to invest in the founders that we believe deeply in."

Vikram Gupta

"We are sector agnostic and just look for disruptive business models early on."

Anupum Khaitan

"India is increasingly moving up the value chain, demonstrating that it has capability in digital transformation, software engineering, AI, analytics and other areas."

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India Rising: Local Businesses, Global Impact

Investment in Indian Companies Building for the World

In a fireside chat on investment in Indian companies building for the world, Nishith Desai, Founder, Nishith Desai Associates, and Rajan Anandan, Managing Director, PeakXV Partners (Formerly knows as Sequoia India), engaged in a lively conversation. They discussed the unique aspects of PeakXV Partners (Formerly knows as Sequoia India) as a venture capital firm and the optimistic outlook for investments in India. The chat highlighteds the growth potential of Indian startups and their ability to create global impact across various sectors.

Differentiating PeakXV Partners (Formerly knows as Sequoia India) and India's Investment Ecosystem:

In response to Nishith's question about how PeakXV Partners (Formerly knows as Sequoia India) set themselves apart from other funds and how they navigated various funding cycles, Rajan offered perspectives on its successful 51-year legacy and early investment in Apple, which set the stage for the firm's success.

Optimism in the Indian Ecosystem:

Rajan emphasized that India's tech ecosystem is experiencing an extraordinary explosion of opportunities across different sectors, including new brands, digital health, EdTech, and agritech. Furthermore, he discussed the significant investments made by global tech giants like Google and Amazon in India, reflecting the overall optimism in the ecosystem.



(From left to right) Rajan Anandan, Managing Director, PeakXV Partners (Formerly knows as Sequoia India)
Nishith Desai, Founder, Nishith Desai Associates

Nishith Desai

" Indian startups have the potential to build global businesses and create a significant impact across sectors, driven by the country's demographic dividend and the concept of China plus one. "

India Rising: Local Businesses, Global Impact

The Potential of Indian Startups:

Rajan explained that Indian startups are not only thriving in the domestic market but are also venturing into the global arena. He cited the rise of Indian SaaS (Software as a Service) unicorns and predicted that India will have a hundred SaaS unicorns by the end of the decade. Additionally, Rajan mentioned the growth potential of Indian consumer brands, exemplified by Skill Matics, a toy company that sells its products in the US and is expected to go public.

India's Global Impact and Future Prospects:

Rajan threw light on the positive outlook for India on a global scale, considering factors like demographic dividend and that Indian startups have the potential to build global businesses across various sectors. He also shared a forecast that predicted India's population surpassing China's by 2100, highlighting the immense opportunities that lie ahead for the Indian ecosystem.

The discussion mentioned the forecasted increase in the world population and the potential for a significant portion of the global population to be Indian due to India's population size. There was also a focus on advancements in technology, such as producing products that cannot be manufactured in factories and the potential impact of genomics and AI.

Corporate governance:

The importance of world-class governance for building successful companies was emphasized. Examples of companies with strong governance, both globally and in India, were mentioned. There is a need for founders and investors to take responsibility for good governance and the consequences of fraudulent practices

The conversation highlighted the changing landscape of Limited Partners (LPs) in the venture capital industry and the increasing participation of sovereign wealth funds, family offices, high net worth individuals (HNIs), and various types of funds, including those funded by the Indian government.

Due Diligence and the Importance of Governance

Rajan discussed the changes in due diligence at PeakXV Partners (Formerly knows as Sequoia India) and emphasized the importance of tightening down on the processes. Nishith emphasized the significance of governance and culture in organizations, stating that culture alone can add value. He stressed the need for creating an environment where people feel free to speak up and highlighted the importance of agility in addressing new issues such as cybersecurity and ESG (environmental, social, and governance). Nishith predicted that human rights will become a major value creator in the future and the need to assess supply chains for issues like child labor as well as the importance of governance and the role everyone must play in embracing new changes.

A Green Gesture

Planting the Seeds of Sustainability at IVCA Conclave 2023

At the very core of IVCA Conclave 2023, an inspiring environmental commitment took root. A tree was planted on behalf of each attendee, amounting to a total of 800 trees in Dachigam National Park, Kashmir, India. These trees symbolize the shared commitment of the private equity and venture capital community in India to the environment, supporting the Hanguls, forest wildlife, and the broader ecosystem.

The attendees received a special gift certificate, representing the tree planted in their name. This gesture, far from a mere token, resonates with the PE-VC community's shared values of sustainability.

The tree-planting initiative has a far-reaching impact:

- Enhancing rural communities' livelihoods.
- Offsetting carbon footprints, with each tree absorbing approximately 20 kg of CO2 annually.
- Preserving forest ecosystems essential to various fauna species.

As we reflect on the success of IVCA Conclave 2023, we recognize that our commitment to sustainability is a shared journey. We extend our heartfelt thanks to every attendee for contributing to this meaningful endeavour. Your participation in the conclave helped cultivate a greener tomorrow. Together, we are making a difference, one tree at a time.

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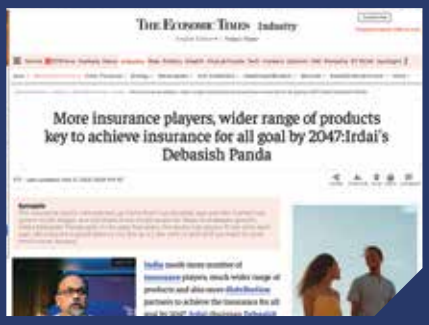
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About IVCA

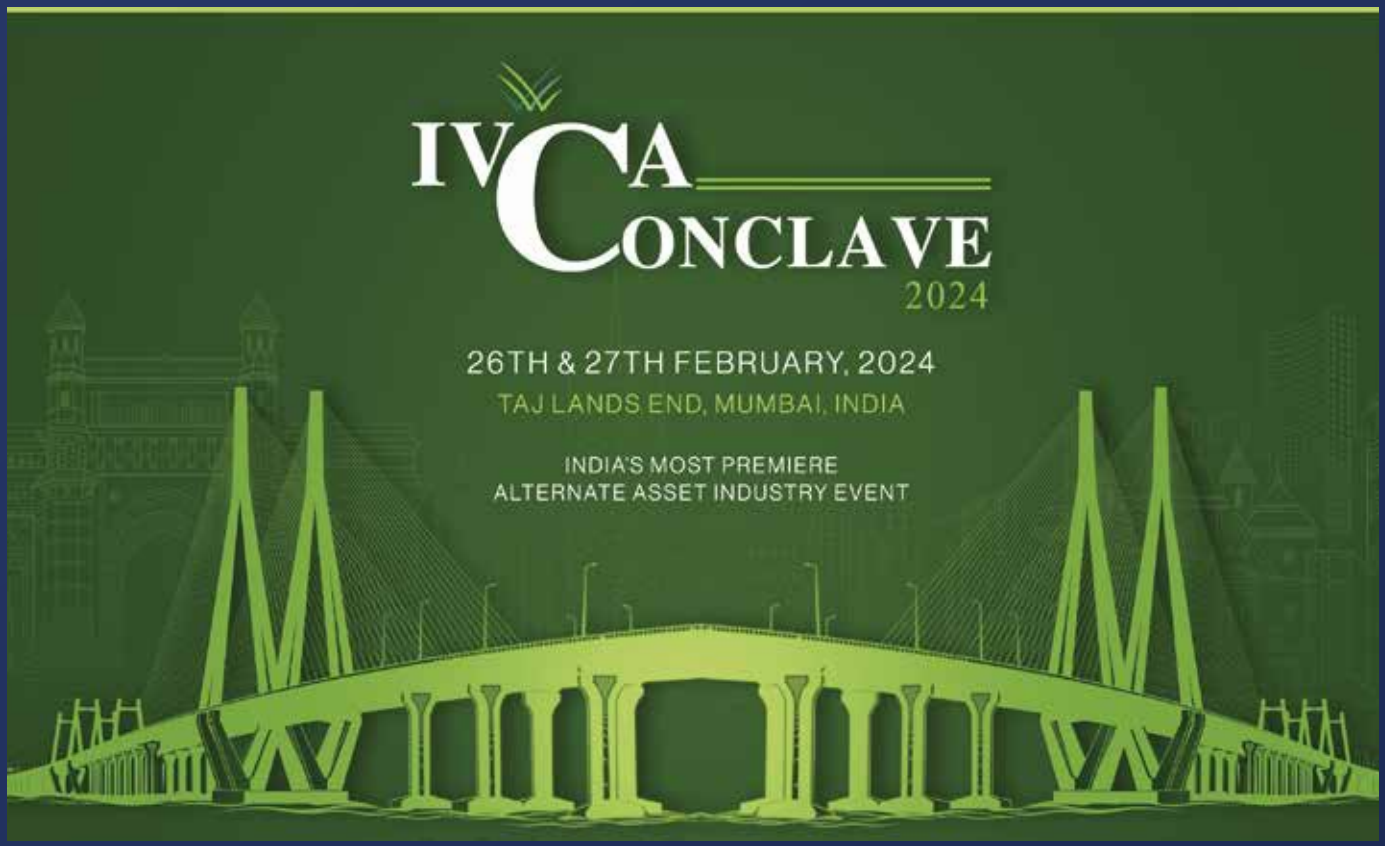
Established in 1993, the Indian Venture and Alternate Capital Association (IVCA) is a non-profit organization that serves as a prominent apex industry body dedicated to promoting the alternate capital industry and nurturing a thriving investment environment in India. IVCA is resolutely committed to bolstering the ecosystem by advocating regulatory interventions, facilitating constructive dialogues with the Government of India, policymakers, and regulators. This collaborative approach fosters increased entrepreneurial activity, innovation, job creation, and contributes to positioning India as a preeminent fund management hub.

With 310+ members and a combined AUM of over $260 billion, IVCA's esteemed membership comprises the most active domestic and global entities, including VCs, PEs, Infrastructure Funds, Real Estate Funds, Credit Funds, Limited Partners, Investment Companies, Family Offices, Corporate VCs, CAT III Funds, Hedge Funds, and Knowledge Partners.

Within the SEBI registered AIF landscape, 44% of all registered AIFs are IVCA members. This is not considering the inactive AIFs, as we understand that a certain population of AIFs are inactive. Within the total IVCA Members, 70% of them manage AIFs.

IVCA stands as the sole industry association for private equity and venture capital funds engaged in investments within India, and it is collectively owned by industry members. IVCA holds legal registration as a Section 8 entity, which signifies a non-profit organization.

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Chairperson, IVCA & Co-founder and Managing Partner, Blume Ventures



Ashley Menezes
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Nipun Sahni
Partner, Apollo Global Management



Prashanth Prakash
Founding Partner, Accel, India; Chairman, Karnataka Vision Group for Start-ups; Member National Startup Advisory Council, Govt. of India



Rajan Anandan
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