India Private Equity Report 2021

Despite the pandemic, India's Private Equity industry sustained its momentum

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

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Executive Summary

2020 was a momentous year, with Covid-19 upending some forecasts and trends whilst reinforcing and accelerating others. The economic impact of the coronavirus pandemic in India has been significant, causing GDP contraction of more than 10% and leading to the highest-ever annual fiscal deficit at 9.5% for fiscal year 2021. Imposition of a nationwide lockdown in late March 2020 halted over 65% of the Indian economy and led to the loss of over 4 million jobs in the formal sector. However, things have turned a corner in 2021, with unprecedented stock market gains on the back of sooner-than-expected business recovery, strong foreign institutional investor (FII) inflows, and Covid-19 vaccine approval and administration. The latest forecasts by the IMF expect strong rebound in 2021, with growth returning to the long-term trend of 7%–8% from 2022 to 2025.

Despite Covid-19, we have seen a few investment themes continue from prior years. Strong deal volume flow continued with a 5% year over year (YoY) increase despite a slowdown in the total value of investments (excluding Jio Platforms and Reliance Retail deals.) Growth equity momentum was sustained with $10 billion in investments, more than in all previous years and nearly at par with 2019. From a sector standpoint, strong momentum continued in consumer tech and IT/IT-enabled services (ITES). Additionally, India-focused dry powder remained resilient at $8 billion, with the share of oversubscribed and at-target funds increasing further.

At the same time, there were new themes witnessed in 2020. There was a moderation in cheque sizes as average deal size declined by 25% over 2019. In terms of sector-wise activity, healthcare witnessed a surge with big-ticket deals in pharmaceuticals manufacturing and distribution and active pharmaceutical ingredient (API) development. However, banking, financial services, and insurance (BFSI) investment value experienced a 60% decrease due to uncertainty over non-performing assets (NPAs), the Reserve Bank of India (RBI)-imposed bank moratorium, and the impact of Covid-19 on lending. From an exit perspective, multiples rose by 1.4 times even as exit value dipped by 30% in 2020 vs. 2019.

In 2020, the Indian Private Equity (PE) Landscape witnessed strong investment momentum with $62 billion in deal value and 40% from Jio Platforms and Reliance Retail deals. Investment activity was muted from March to May due to Covid-19-led uncertainty, but it recovered strongly in H2 to pre-Covid-19 levels with late-stage and buyout deals witnessing increased traction. The pandemic also led to a shift in the type of deals made, with investors focusing on alternate investment strategies such as distressed opportunistic sales and qualified institutional placements (QIPs).

In terms of sectors, consumer tech and IT/ITES remained buoyant and were the largest sectors in 2020. Consumer tech investments were driven by accelerated growth in digital channels and spiked user adoption of on-demand, at-home cross-tech services. This led to a deal surge in edtech, fintech, verticalised e-commerce, and foodtech, with big-ticket investments in Byju's, Zomato, and FirstCry. Within IT and ITES, abounding interest in software as a service (SaaS) and increased corporate focus on digital IT readiness drove multiple $100 million-plus deals. Some of the large investments include Zenoti and Postman in SaaS and Virtusa and Majesco in IT services. Healthcare witnessed the highest YoY growth at 60%, driven by de-risking of the supply chain, India's strength in chemistry, and a resilient domestic market. APIs, contract development and manufacturing organisations (CDMOs), and formulations contributed 80% of total healthcare investment, with Piramal Healthcare, JB Chemicals, and SeQuent Scientific being the largest deals.

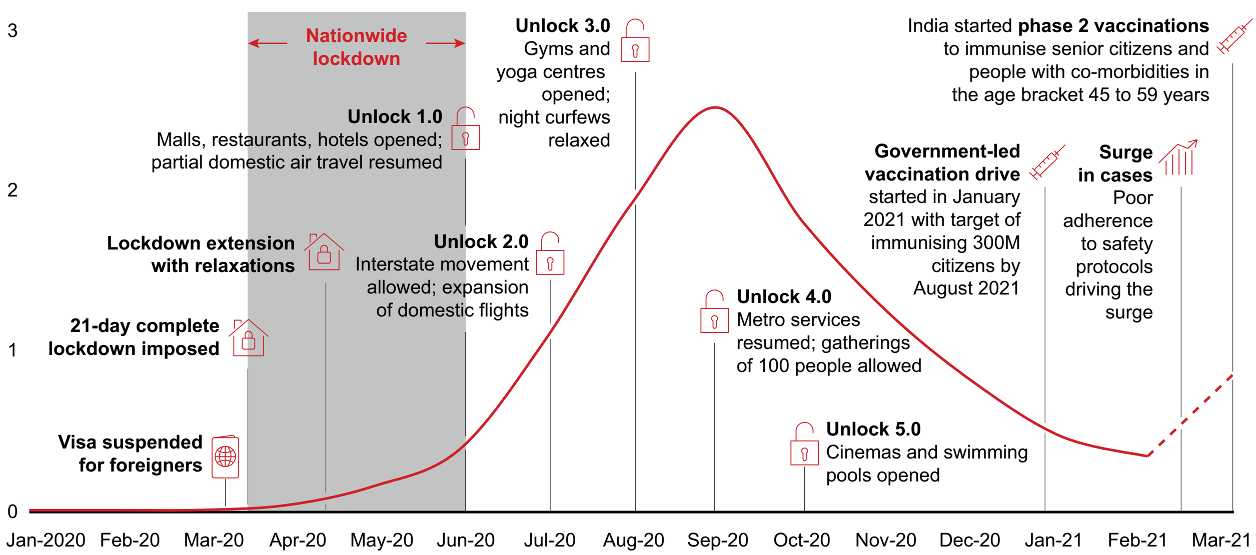
Further, the number of active PE funds continued to grow in 2020, with global and domestic general partners (GPs) making up the bulk at 60%, followed by limited partners (LPs; i.e., institutional investors and government affiliates) and corporates. As more funds increase focus towards India, over 70% of investors concur that global PE firms and LPs/sovereign wealth funds (SWFs) investing directly is the biggest competitive threat. Growing investor confidence in the Indian market is visible because of the increasing penetration of major GPs and LPs into India's deal value. PIF and KKR were the biggest investors in 2020, whilst Blackstone and GIC were the biggest investors after excluding Jio Platforms and Reliance Retail deals.

Exit volume remained buoyant whilst overall exit value declined by 30% YoY in 2020. Exit activity was muted in Q2 and Q3 but rebounded strongly in Q4, with strong public markets being a key contributor. 2020 saw an unprecedented rise in multiples driven by high-return generating consumer tech and BFSI exits. We expect continued exit momentum over the next one to two years as portfolios of leading PE investors mature (most portfolios did not reach maturity in 2020) and multiple IPOs planned for the next 12 to 18 months are launched.

Going forward, consumer tech, IT/ITES, and healthcare are expected to witness strong growth, with BFSI also set to recover. Covid-19 played a pivotal role in accelerating multiple trends, including the increase of online touchpoints, emergence of direct-to-consumer (D2C) players, adoption of remote working, and focus on healthier living. Additionally, government initiatives to bolster the economy and the shifting of global supply chains from China are likely to strengthen the PE investment ecosystem in India.

Figure 1: India had multiple lockdowns between March and May, with cases peaking in September and vaccination drive in force since January

Number of monthly new Covid-19 cases (in millions)



Sources: Bloomberg; Secondary search; Bain analysis

Figure 2: Covid-19 and the related lockdowns had a significant economic impact, with India's GDP expected to contract by 8% in 2020

(−8%)
Forecasted growth in GDP in 2020
(~13 percentage point decline in growth vs. pre-Covid-19 estimates)

65%
Of Indian economy was halted during full lockdown

~$306B
Total economic cost of lockdown in India
(11.5% of GDP)

~4.1M
Estimated number of formal sector jobs lost due to Covid-19

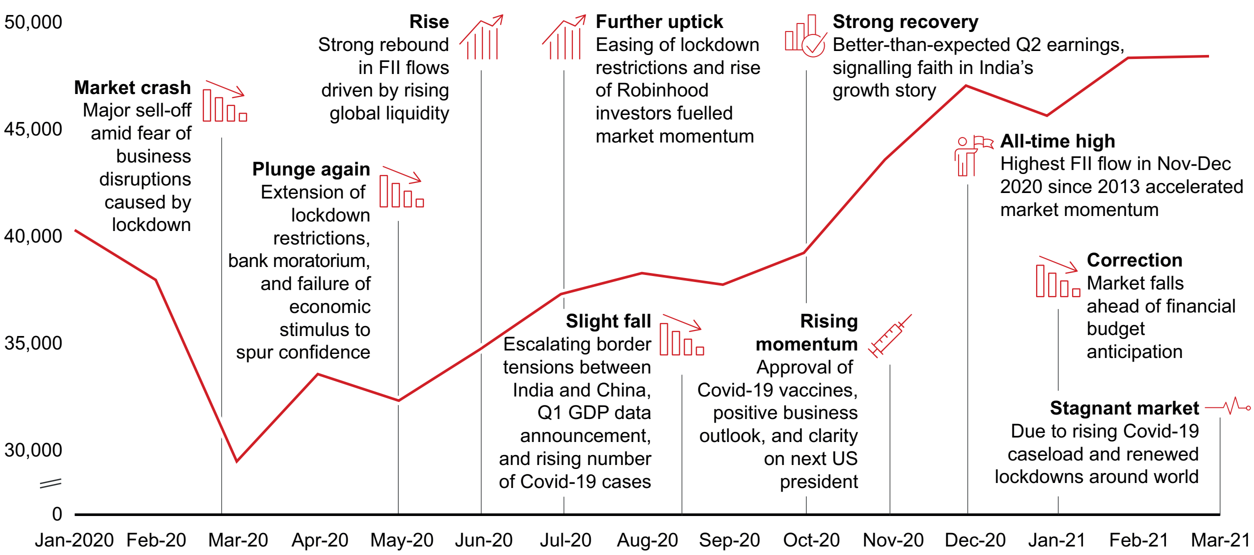
~9.5%
India's fiscal deficit estimate
for current FY
(3x target set before the pandemic)

15%
Indian start-ups forced to shut operations
(with 40% negatively affected)

Sources: International Monetary Fund, as estimated by Barclays from projecting one week of economic loss from shutdown of key industries (e.g., manufacturing, utilities, mining); International Labour Organization and Asian Development Bank, *Tackling the COVID-19 Youth Employment Crisis in Asia and the Pacific* (August 2020); TiE Delhi, Zinnov, *Covid-19 and the Antifragility of Indian Start-Up Ecosystem* (October 2020); Bain analysis

Figure 3: Indian markets revived on the back of sooner-than-expected business recovery, strong Foreign Institutional Investor (FII) inflows, and approval of Covid-19 vaccines

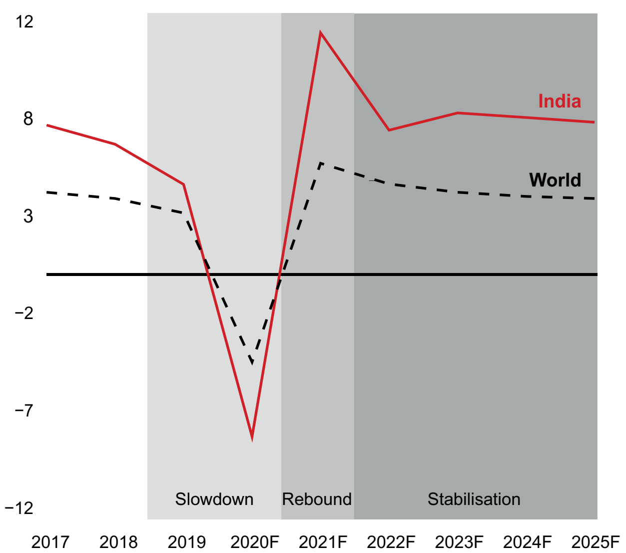
BSE SENSEX month-end closing value



Note: March number is as of 24 March 2021
Sources: Literature search; Bloomberg

Figure 4: Latest IMF forecasts expect a strong rebound in 2021 for the Indian economy, with growth returning to the long-term trend for 2022 to 2025

Real GDP growth (annual % change), India, IMF world economic outlook, Jan 2021



2020 **(−8.0%) India GDP growth**

- Covid-19 and resulting lockdowns drove sharp economic contraction in India
- India's GDP growth was already on a downward trend before 2020
- Recovery in the later half of 2020 has been at a "faster pace than anticipated"

2021 **11.5% growth predicted**

- IMF forecast assumes governments will have Covid-19 under control in 2021 through vaccines
- Rebound growth expected to break the previous downward trend
- India, with China (8.1%), expected to drive growth in the Asia-Pacific region

2022–25 **7% to 8% growth forecast**

- Healthy growth of 7% to 8% expected; structural shifts, such as remote working, are not expected to affect GDP growth
- Some likelihood that long-term economic scarring (e.g., bankruptcies, reduced labour force participation) could act as a drag on growth

Source: IMF World Economic Outlook, January 2021

Figure 5: Impact of Covid-19 on PE landscape—trends that continued to hold true

Strong deal volumes

Strong deal volume flow, with 5% increase YoY (1,106 in 2020 vs. 1,053 in 2019) despite slowdown in the total value of investments

Q3 saw a strong rebound in investments over H1, with almost complete recovery across sectors by Q4

Sustained momentum in growth equity

Despite pandemic pressure, sustained momentum in growth equity investments at $10 billion driven by massive up-surge in late-stage deals (e.g., BYJU's, Zomato)

Key sectors continued to be consumer technology, fintech, and SaaS (constituting 75% of investments in 2020 vs 65% in 2019)

Momentum in IT & ITES, consumer tech

Increasing penetration of global SaaS markets resulting in new unicorns (Zenoti, Postman)

Within consumer technology, uptick was seen in edtech, foodtech, and fintech (payments and insuretech)

Resilient India-focused dry powder

India-focused dry powder stayed steady at $8 billion

Increase in share of funds achieving target size (91% in 2020 vs. 87% in 2019)

Note: Excluding Jio and Reliance Retail deals

Figure 6: Impact of Covid-19 on PE landscape—things that were different this year

Moderation in cheque sizes

Average deal size in 2020 dipped by approximately 25% vs. 2019, driven by a 25% decline in large deal (>$100 million deals) volumes

Surge in healthcare

Big-ticket deals in pharmaceuticals manufacturing/distribution and API development

Consumer healthcare and healthtech traction driven by increase in awareness and focus on wellness and preventive health

Steep decline in BFSI

60% fall in BFSI investment value, driven by low investor sentiment in H1 and uncertainty over NPAs, the Reserve Bank of India–imposed bank moratorium, and the impact of Covid-19 on lending

High multiples even as exit value dipped

Whilst total exit value declined by 30%, exit volumes were high (232 in 2020 vs. 200 in 2019)

1.4x increase in multiples over 2019, with BFSI and consumer technology recording highest returns

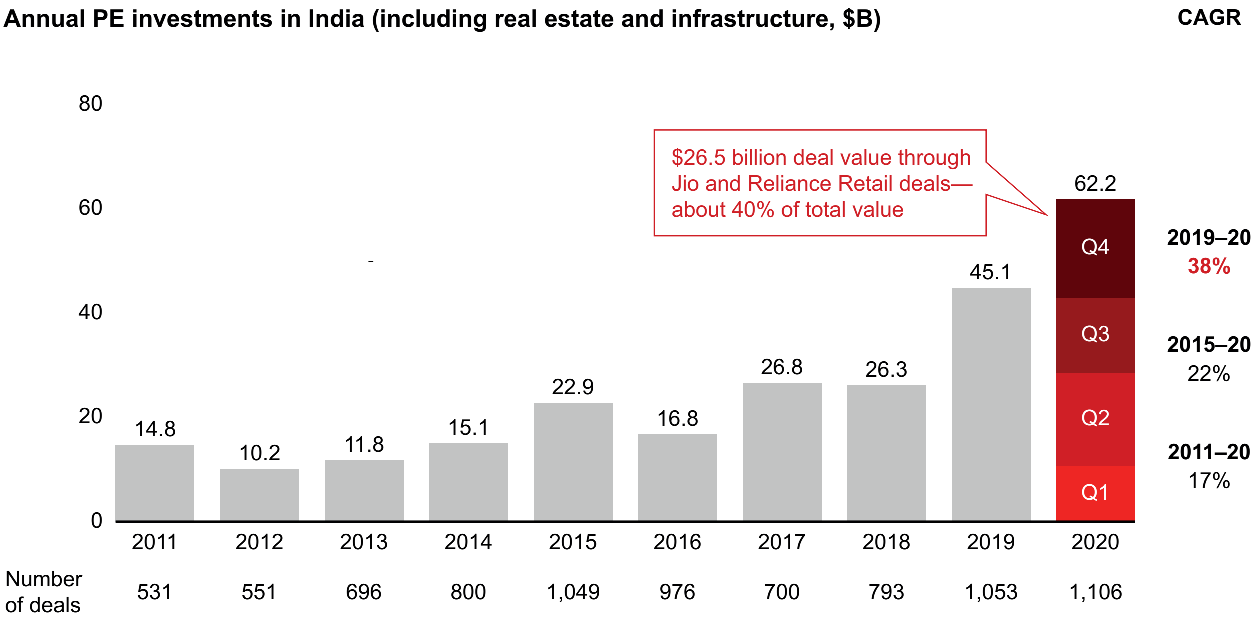
Note: Excluding Jio and Reliance Retail deals

1

Investments: A record high

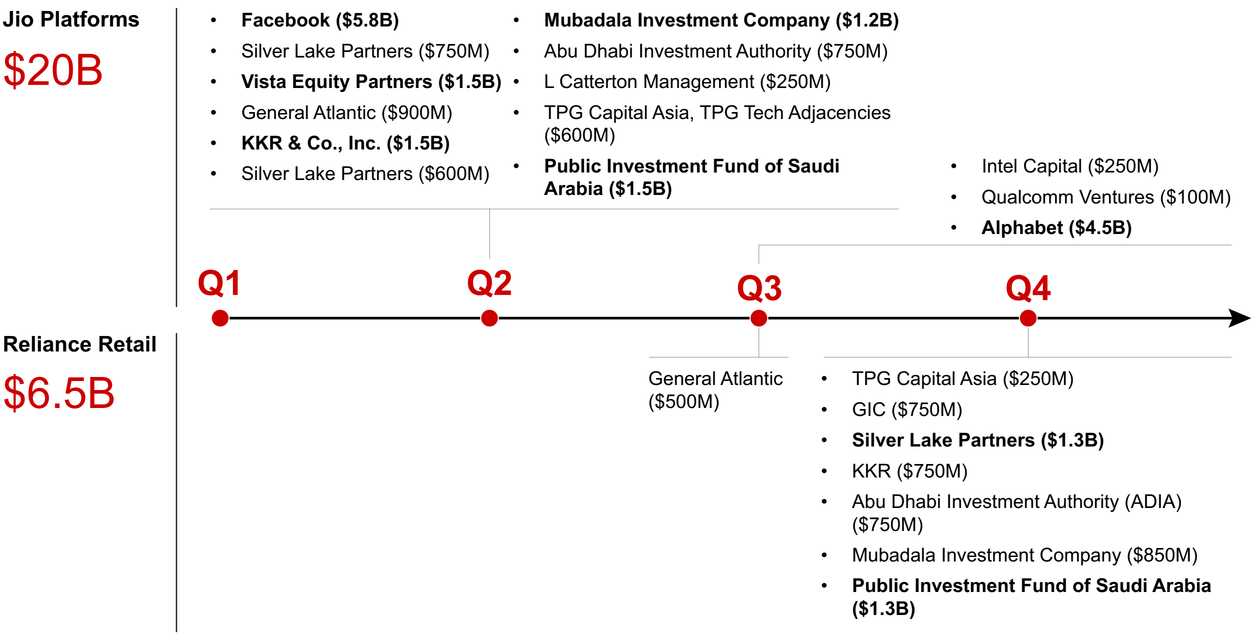
- Total investment value in 2020 was at a record high of $62.2 billion on account of Jio Platforms and Reliance Retail deals contributing $26.5 billion, which is around 40% of total deal value.
- Barring Jio Platforms and Reliance Retail, deal value was down by 20% as the volume of large deals (>$100 million) dipped by around 25%. Muted sentiment in H1 was followed by increased investor confidence in H2.
- The top 15 deals in 2020 constituted around 40% of deal value vs. 35% in 2019. Despite a dip in buyouts, growth, and late-stage deals in H1, there was a strong rebound in H2 given the recovery in investor confidence.
- Sectors such as consumer tech and IT/ITES maintained momentum throughout the pandemic, whilst healthcare witnessed high growth of around 60% over 2019.
- The consumer tech sub-segments of edtech, fintech, and verticalised e-commerce saw a surge in deals on the back of Covid-19-induced changes in consumer behaviour and market landscape.
- IT/ITES investments were driven by big-ticket investments in Tier 2 IT services (e.g., Virtusa, Mphasis), niche digital/software (e.g., 3i Infotech), and SaaS (e.g., Zenoti, Postman).
- Within healthcare, APIs, CDMO/CMO, and Formulations grew the most (combined growth of around 300% over 2019), driven by the de-risking of the supply chain and domestic market resilience.
- BFSI faced a significant slowdown, with investments down by around 60% due to high NPAs and the impact of the loan repayment moratorium on bank balance sheets.

Figure 7: Investment momentum in India accelerated in 2020 on account of Jio and Reliance Retail deals



Notes: Includes real estate and infrastructure, private investment in public equity (PIPE), and venture capital (VC) deals; Deal volume includes deals where the deal value is unknown
Source: Bain PE Deals database

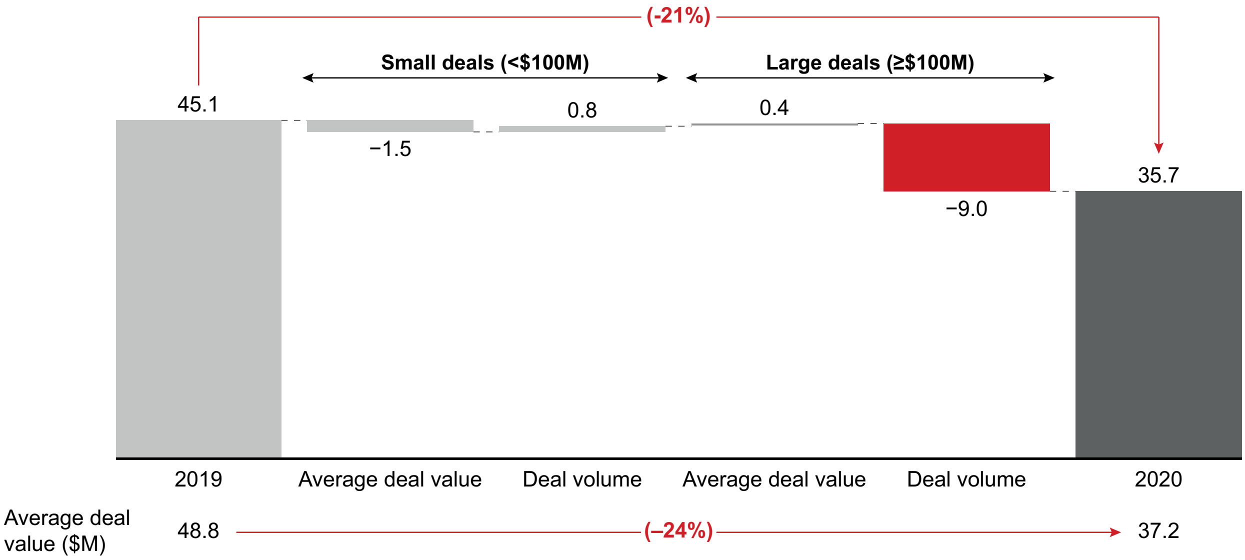
Figure 8: Total investment of $26.5 billion in Jio and Reliance Retail led by both global PEs and SWFs



Source: Bain PE Deals database

Figure 9: Barring Jio and Reliance Retail, deal value was down by approximately 20%, driven by a decrease in the number of large (>$100 million) deals

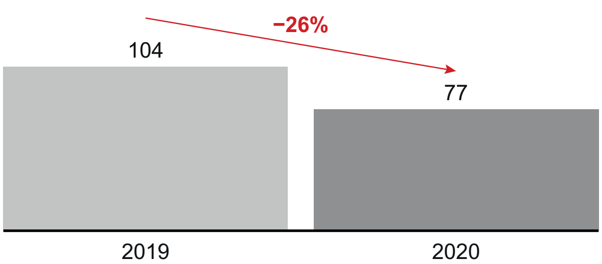
Investment evolution across deal sizes (2019 to 2020, $B)



Notes: Excludes Jio and Reliance Retail deals; Includes real estate and infrastructure deals; Deal volume and average deal value are for deals with a known value only
Source: Bain PE Deals database

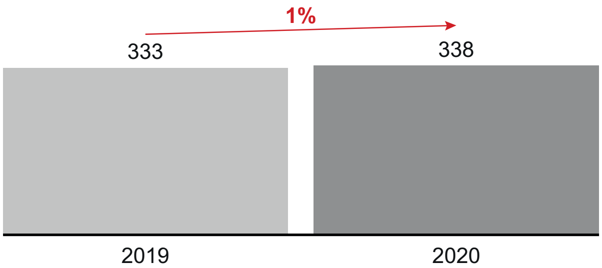
Figure 10: Decline in large deal (>$100 million) volumes was seen across most sectors

Volume of large deals across sectors



Sector	2019	2020	CAGR
Healthcare	4	7	75%
Consumer technology	23	24	4%
Manufacturing	4	4	–
IT & ITES	11	10	−9%
Energy	9	8	−11%
Real estate	12	6	−50%
BFSI	20	10	−50%

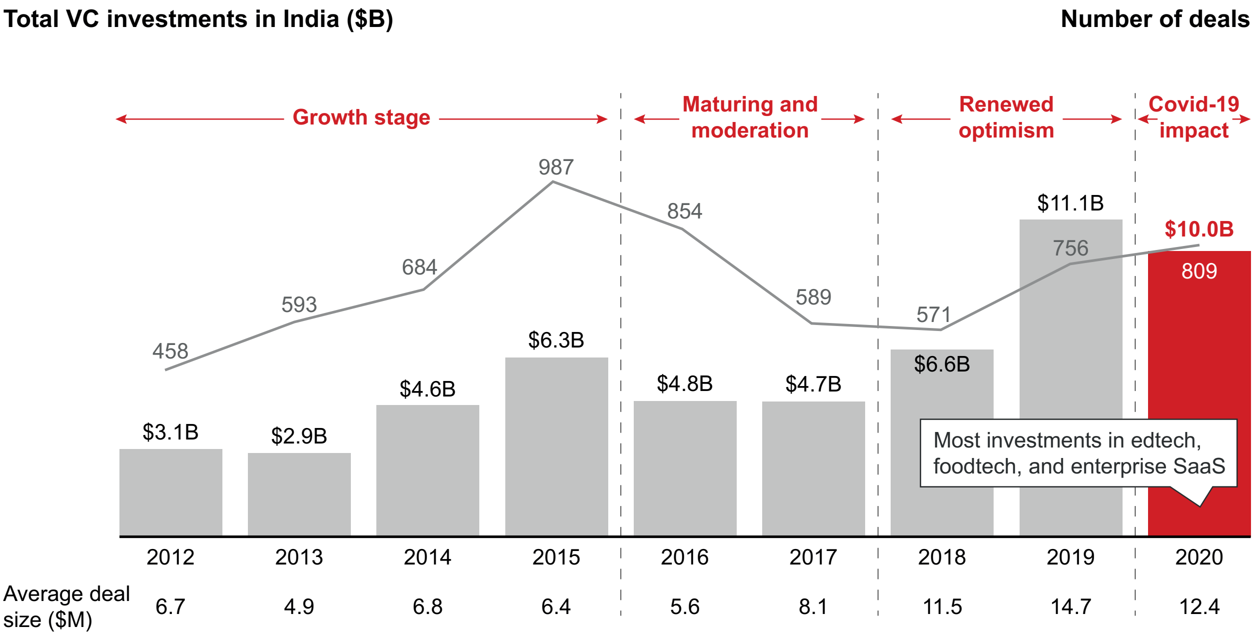
Average deal size for large deals across sectors ($M)



Sector	2019 ($M)	2020 ($M)	CAGR
Healthcare	194	239	23%
Manufacturing	244	380	56%
Consumer technology	193	214	11%
IT & ITES	329	408	24%
Energy	469	360	−23%
Real estate	424	774	82%
BFSI	349	191	−45%

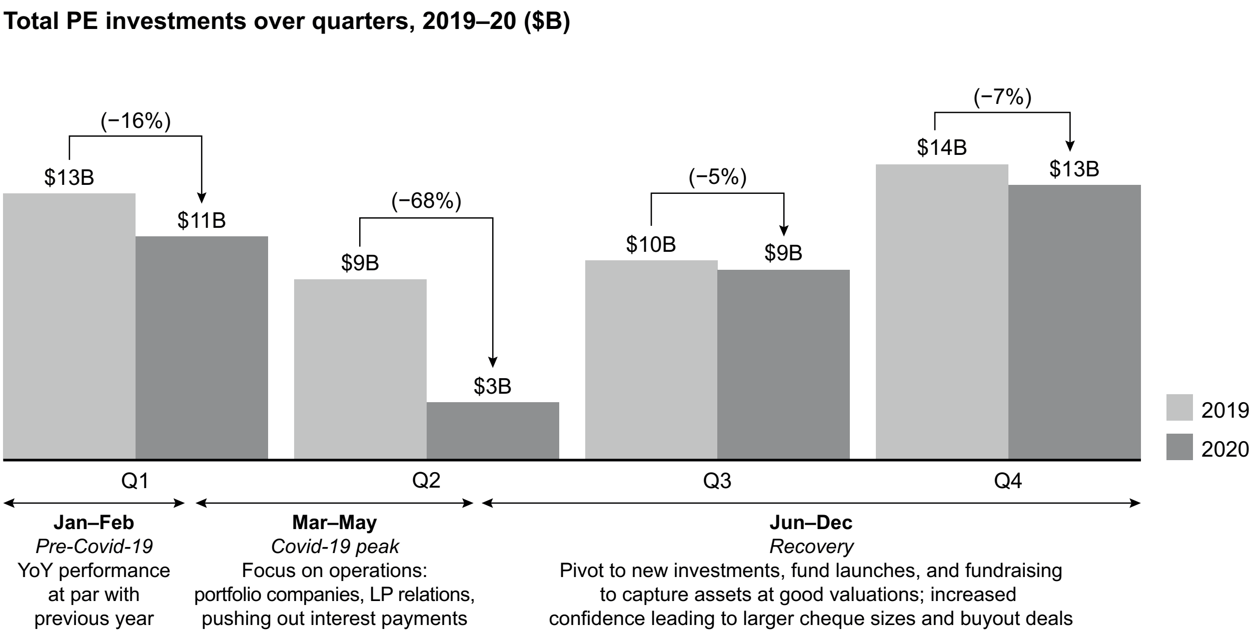
Notes: We define large deals as deals of $100 million or more; Excluding Jio and Reliance Retail deals; Deal volume and average deal value are for deals with a known value only; Biggest sectors chosen for analysis barring telecom and consumer retail
Source: Bain PE Deals database

Figure 11: Growth equity investments have sustained momentum in 2020 despite the pandemic, however, with some moderation over 2019



Note: VC investments exclude transactions where deal value is unknown
Sources: Bain VC Deals database; Venture Intelligence; AVCJ; VCCEdge

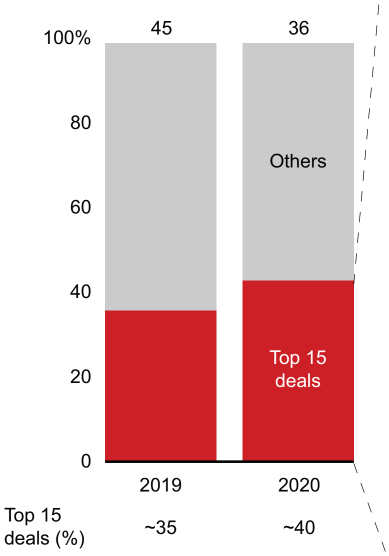
Figure 12: Slowdown was experienced primarily in Q1 and Q2, driven by muted investor sentiment from Covid-19



Notes: Excludes Jio and Reliance Retail deals; Includes real estate and infrastructure; Deal volume and average deal value are for deals with a known value only
Source: Bain PE Deals database

Figure 13: The top 15 deals constituted approximately 40% of total deal value—higher than last year

Investments by deal size ($B)



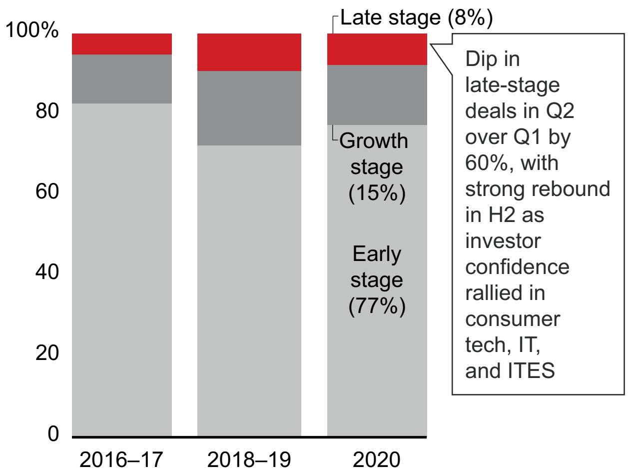
Company	Sector	Fund(s)	Value ($M)
Virtusa	IT & ITES	Baring Private Equity Asia, CPP Investments, GIC	2,000
RMZ Corp	Real estate	Brookfield	2,000
Bharti Airtel	Telecom	BlackRock, Citigroup, Fidelity, Goldman Sachs, Warburg Pincus, others	1,962
Vrindavan Tech Village	Real estate	Embassy REIT	1,311
BYJU's	Consumer tech	BlackRock, General Atlantic, Owl Ventures, Sands Capital, Silver Lake, Tiger Global, Alkeon Capital, T. Rowe Price, DST Global, Bond Capital	1,244
Piramal Glass	Manufacturing	Blackstone	1,018
Reliance Digital Fibre	Telecom	Public Investment Fund, ADIA	1,012
Oyo Rooms	Consumer tech	SoftBank Corp., RA Hospitality	807
RattanIndia Power	Energy	Varde Partners, Goldman Sachs, others	795
Majesco	IT & ITES	Thoma Bravo	729
Zomato	Consumer tech	Baillie Gifford, D1 Capital, Fidelity, Kora Management, Luxor Capital, Mirae, Steadview Capital, Tiger Global, Temasek	660
Chenani Nashri Tunnelway	Infrastructure	I Squared Capital, IFC	528
O2 Power	Energy	EQT, Temasek	500
Piramal Healthcare	Healthcare	Carlyle	490
Everise	IT & ITES	Brookfield	450

Notes: Excludes Jio and Reliance Retail deals; Does not include deals where the deal value is unknown
Source: Bain PE Deals database

Figure 14: Growth, late-stage deals, and buyouts slowed in H1 because of Covid-19 shockwaves but rebounded strongly in H2 as investor confidence recovered

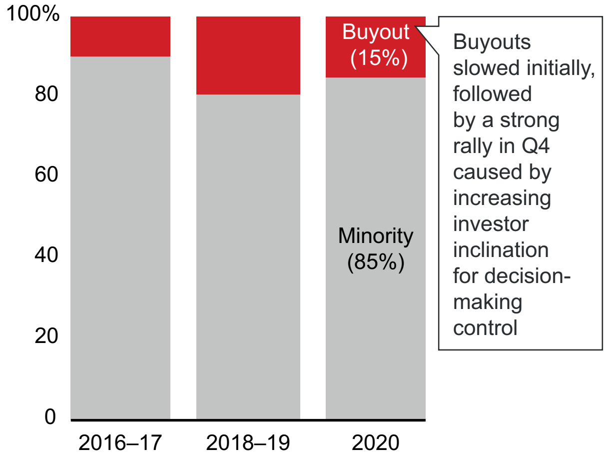
Muted sentiments reduced the salience of growth/late-stage deals

Deal volume by investment stage, 2016–20



Trend towards increasing buyouts paused by pandemic disruptions

Deal volume by purchase stake



Notes: Includes deals where stake/deal size is known only; Excludes real estate, infrastructure, and energy deals; Excludes Jio Platforms and Reliance Retail deals; Deals worth less than $20 million have been classified as early, $20 million to $85 million as growth, and more than $85 million as late stage
Source: Bain PE Deals database

Figure 15: Overall, the pandemic period saw a shift in the type of deals done, with investors focusing on alternative equity investment strategies

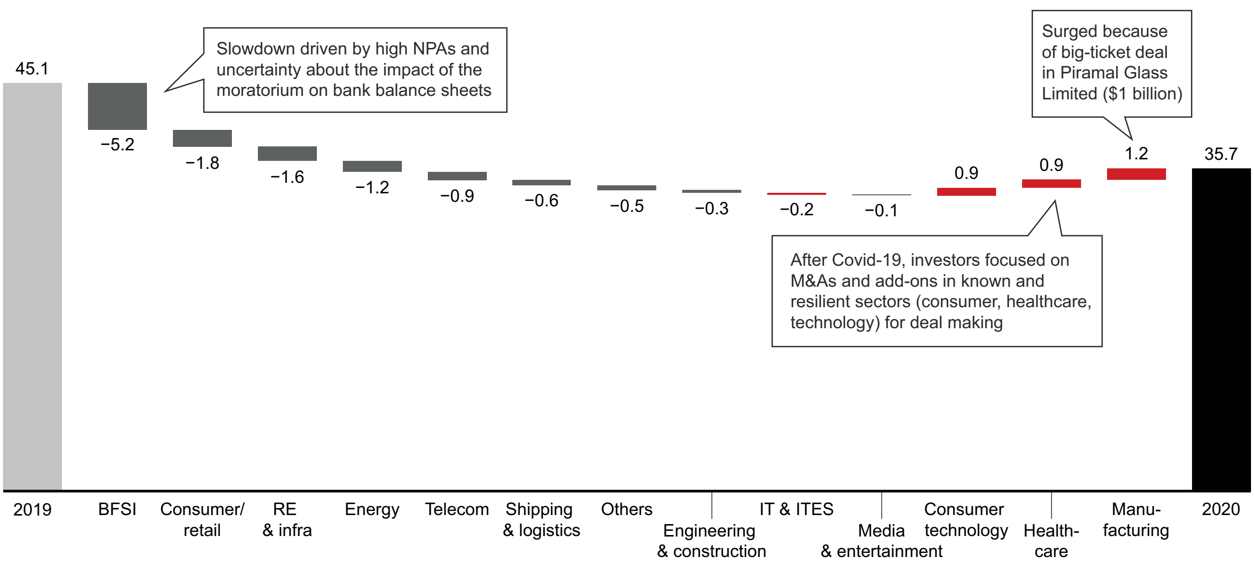
Deal type	Salience	Rationale	Examples
Distressed opportunistic sales	Increase	• Covid-19 forced distressed companies to raise additional funds to meet working capital requirements, in hospitality and real estate • Insolvency and bankruptcy code enabled opportunistic investments by allowing faster creditor-driven resolution	• SB Energy | CPP Investments ($425M) • Golden Jubilee Hotels | Blackstone ($82M)
Public markets (QIP)	Increase	• QIP deals spiked (particularly in BFSI and telecom) to shore up capital reserves and meet immediate Covid-19-driven liquidity requirement	• Bharti Airtel | GIC, Temasek, Warburg Pincus ($2B, QIP) • Kotak Mahindra Bank | CPP Investments, GIC ($1B, QIP)
VC and growth equity	Stable	• Buoyant VC investments (7% increase in deal volume) because of focus on early- and growth-stage deals, easy access to capital for MSMEs/start-ups, conducive regulatory policies, and digital trends • Key sectors continued to be consumer technology, fintech, and SaaS (constituting 75% of investments in 2020 vs. 65% in 2019)	• BYJU's | Tiger Global, others ($720M) • Zomato | Tiger Global, Temasek, others ($660M)
Buyouts	Decrease	• Buyouts declined because of reduced cheque sizes and slowdown in the real estate and BFSI sectors, which had constituted around 30% of buyout deal volume in 2019, reduced to 10% in 2020	• RattanIndia Power | Goldman Sachs, Värde Partners ($567M)

Salience relative to pre-Covid-19 Increase Stable Decrease

Sources: Bain PE Deals database; Pitchbook

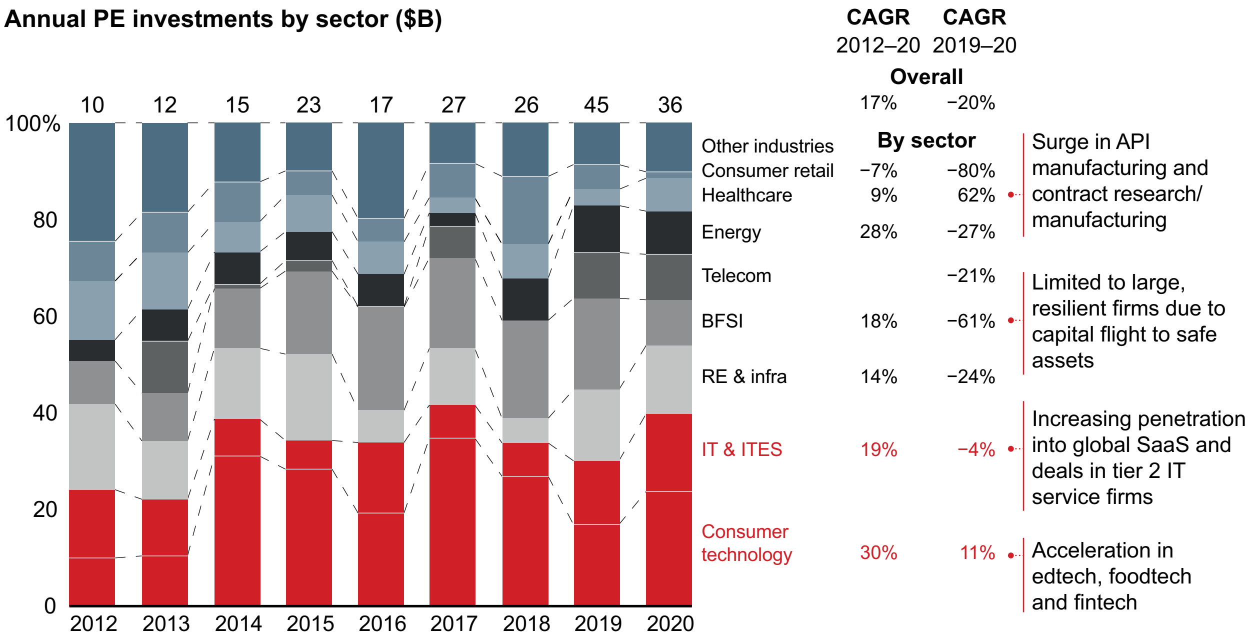
Figure 16: Healthcare, consumer tech, and manufacturing contributed most to growth, whilst IT & ITES remained relatively strong despite contractions across several sectors

Investments by sector ($B)



Notes: Excludes Jio and Reliance Retail deals; Others includes a variety of industries, such as education, sports, hospitality, and talent management
Source: Bain PE Deals database

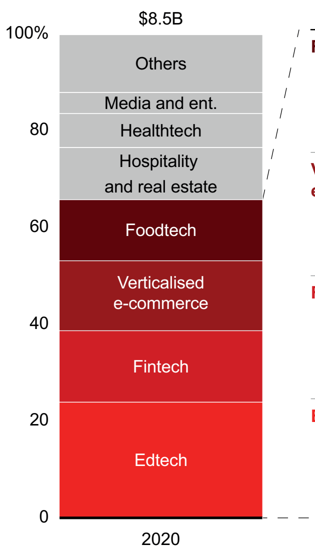
Figure 17: In absolute terms, consumer technology and IT & ITES were the largest sectors in 2020



Notes: Telecom classification not available for 2012; Excludes Jio and Reliance Retail deals; Others includes manufacturing, engineering and construction, media and entertainment, and shipping and logistics
Source: Bain PE Deals database

Figure 18: Consumer technology was driven by big-ticket investments across edtech, fintech, verticalised e-commerce, and foodtech

Annual investments in consumer tech ($B)



	Rationale for sentiment in 2020	Outlook to 2025
Foodtech	• Despite immediate shift to home cooking, online food ordering emerged as alternative to dining out • Players are evolving into **hyperlocal super apps** (e.g., Zomato, Swiggy offering logistics, grocery)	➔ Expected 25% CAGR till FY25 on the back of **hyperlocal logistics players** (e.g., Dunzo, magicpin) increasing presence in food delivery **Less aggressive customer acquisition by marketplaces** as focus shifts to unit economics
Verticalised e-commerce	• Positive impact of Covid-19 on **essentials e-commerce** (groceries, medicine) because of stockpiling and restrictions on movement • Non-essentials (esp. apparel, books, general merchandise) bounced back after Covid-19	↗ Online retail market projected to grow 30% YoY till FY25; growth driven by **fashion, books and general merchandise, and** sustained upside from **increased penetrationand stronger supply chains** after Covid-19
Fintech	• **Lending fell** due to low liquidity and higher levels of distressed assets (particularly among SMEs) • Surge in **digital payments** (due to lockdown) and health Insurtech (increased health consciousness; decline in non-health insurance [e.g., auto])	➔ Positive outlook for **digital payments** (55%–60% of total transaction value in FY25E) **Slow recovery in lending:** reduction in long-term capex, retail consumption (auto, housing, durables)
Edtech	• Increased adoption of **online learning**; free access offered during Covid-19 (BYJU's, Vedantu) across digital learning, testing, tutoring • **Stronger supply of content**; offline institutes and teachers creating online content	↗ Sustained upside across most segments (esp. K-12 and test prep, some traction in education management and up-skilling) **owing to increase in penetration during Covid-19** and easier access to quality content

↗ High growth ➔ Stable/Moderate growth ↘ Decline

Sources: Bain PE Deals database; Euromonitor; Forrester; Credit Suisse; Emarketer; Morgan Stanley; Assocham; Market participant interviews; Bain analysis

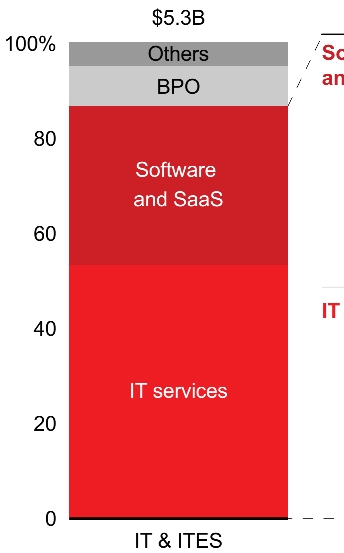
Figure 19: Within the consumer technology sector, edtech saw high traction driven by big-ticket investments in BYJU's

	Company	Investor firms	Value ($M)
Edtech	BYJU's	BlackRock, General Atlantic, Owl Ventures, Sands Capital Management, Silver Lake, Tiger Global, Alkeon, T. Rowe Price, DST Global, Bond Capital	1.244
	Unacademy	SoftBank, IIFL Finance Limited (VC), Nexus Venture Partners, Sequoia Capital Operations, General Atlantic, Blume Ventures, Steadview Capital Management, Facebook, others	263
Verticalised e-commerce	FirstCry.com	Softbank	300
	CARS24.com	DST Global, EXOR Seeds, Moore Ventures, Unbound	200
Foodtech	Zomato	Baillie Gifford, D1 Capital Partners, Fidelity, Kora Management, Luxor Capital Group, Mirae, Steadview, Tiger Global, Temasek	660
	Swiggy	ARK Impact Asset Management, Korea Investment Partners, Mirae, Samsung Venture Investment China, Tencent Holdings, Naspers, Meituan, Hadley Harbour Master Investors, others	156
Others	Oyo Rooms	SoftBank, RA Hospitality	807
	Dream11	Tiger Global, TPG Capital, ChrysCapital, Footpath Ventures	225
	PharmEasy	Temasek, Lightrock	220
	Dailyhunt	Alphabet, Falcon Edge Capital, Lupa Systems, Microsoft Corp., Sofina, Goldman Sachs, others	164

Note: Top 10 deals considered
Source: Bain PE Deals database

Figure 20: IT & ITES deal value was driven by abounding interest in Indian SaaS, tier 2 IT services, and niche digital players

Annual investments in IT & ITES ($B)



	Rationale for investor sentiment	Outlook to 2025
Software and SaaS	• Momentum maintained in **India-for-Global** differentiated products in emerging tech (Postman, Hasura) and **India-for-India SaaS** tailored to the B2B market (Khatabook, Instamojo) • **Increasing interest in vertical-specific SaaS**, with 2x surge in 2018–20 (Zenoti, Innovaccer)	↗ Traction for India SaaS across both **India-for-Global** (50% CAGR till 2022) and **India-for-India** (35% CAGR) Penetration into **global markets** (3%–4% in 2019 to 7%–9% in 2022 by value) driven by a **low-cost structure, abundant talent, effective customer service**, and a **strong acceptance** of India-origin products
IT services	• Driven by **tier 2 IT services players** (e.g., Mphasis, Virtusa) and **niche software/digital players** (e.g., 3i Infotech) • Uptick with "more online" during Covid-19, especially in **digital IT readiness** (cloud security, collaboration) and **digital business** (advanced data, commerce, personalisation)	→ Low momentum expected in traditional IT: Future growth to be led by **emerging digital models and capabilities** **Key drivers are cloud** (~60% of services growth led by migration, SaaS, consulting) and **on-shore digital and analytics**

↗ High growth → Stable/Moderate growth ↘ Decline

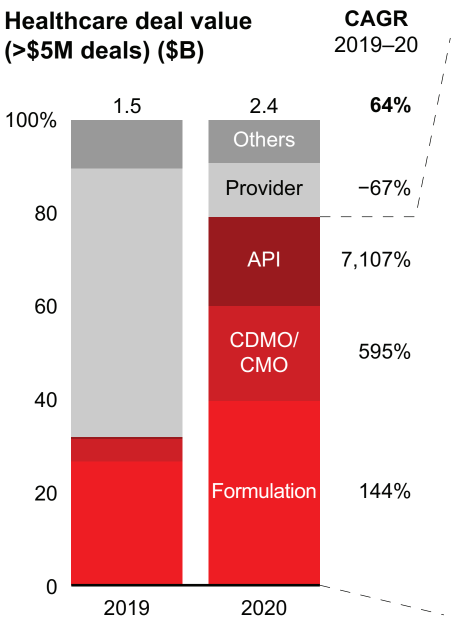
Notes: Only deals larger than $10 million have been included; Others includes B2B marketplaces, education management, BPO, space tech
Source: Bain PE Deals database

Figure 21: Within IT & ITES, tier 2 IT services and niche digital players saw big-ticket investments, whilst multiple SaaS companies secured $100+ million deals

	Company	Investor firms	Value ($M)
IT services	Virtusa	Baring Private Equity Asia, CPP Investments, GIC	2,000
Insurance solutions and services	Majesco	Thoma Bravo	729
Software and SaaS	Zenoti	Advent International, Steadview, Sunley House Capital Management, Tiger Global	160
	Postman	Charles River Ventures, Insight Partners, Nexus Venture Partners	150
	3i Infotech	Apax Partners	136
	HighRadius Technologies	Citi Ventures, ICONIQ Capital, Susquehanna Growth Equity	125
	Eightfold AI India	Capital One Growth Ventures, Foundation Capital, General Catalyst Partners, Institutional Venture Partners, Lightspeed Venture Partners	125
	o9 Solutions	KKR	100
	MindTickle	Accel, Canaan Partners, NEA, NewView Capital Management, Norwest Venture Partners, Qualcomm Ventures, SoftBank	100
BPO	Everise	Brookfield	450

Note: Top 10 deals considered
Source: Bain PE Deals database

Figure 22: Healthcare investments in India have seen a 1.6x increase, with API, CDMO, and formulation segments witnessing massive upsurges



Company	Sector	Fund(s)	Purchase date	Value ($M)
Piramal Healthcare	CDMO/CMO	Carlyle	October 2020	490
J.B. Chemicals & Pharmaceuticals	Formulation	KKR	July 2020	414
SeQuent Scientific	API	Carlyle	May 2020	210
Intas Pharmaceuticals	Formulation	ChrysCapital	February 2020	132
Biocon Biologics India	Formulation	TrueNorth, Tata Capital	Jan 2020–Sep 2020	105
Viyash Life Sciences	API	Carlyle	October 2020	74
Slayback Pharma	Formulation	Everstone Capital	January 2020	50
Ami Lifesciences	API	Kedaara Capital Advisors	February 2020	39
Naari Pharma	Formulation	Ascent Capital	February 2020	17

Notes: Others includes nutraceuticals, medical devices, vaccines; formulation includes domestic formulation, biopharma, biosimilar, specialty; CDMO: contract development and manufacturing organisation
Source: Bain PE Deals database

Figure 23: Healthcare investments across sub-sectors driven by five discernable themes

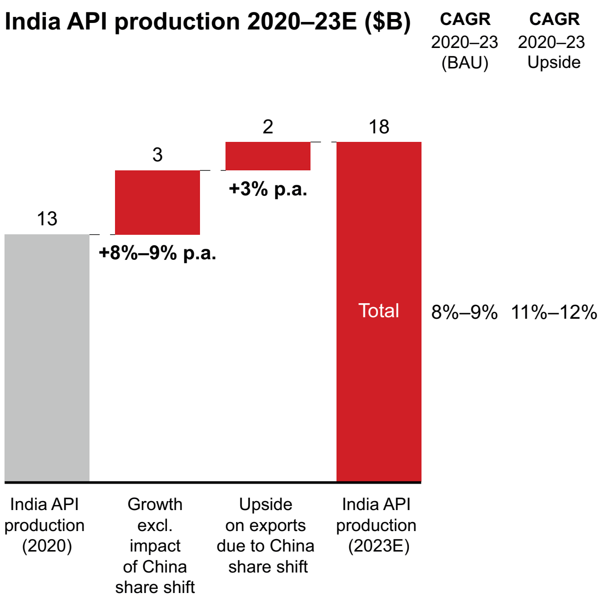
Theme	Description	Sub-sector	Deals
De-risking of supply chains	Trend to reduce supply dependence on China given recent quality concerns and ongoing geopolitical issues	APIs	Viyash Life Sciences | Carlyle ($74M)
India's strength in chemistry	Using large Indian talent pool of chemists and chemical engineers for novel and generic small-molecule–based drug development	CDMOs and CROs	Piramal Healthcare | Carlyle ($490M)
Resilience of domestic market	Strong (~10%) secular growth caused by increasing awareness, access, and affordability; Covid-19 has enhanced health awareness	Domestic formulation	J.B. Chemicals | KKR ($414M) Intas Pharma | ChrysCapital ($132M)
Differentiation via specialty Gx	Indian Gx players actively pursuing complex generics as wave 3 of growth; categories include injectables, orals with modified release profiles, inhalers, and transdermals	Export formulation	Slayback Pharma | Everstone ($50M)
Patent expiry of biologics	More than $30 billion in biotech/biologics going off patent during CY2020–25, creating opportunity for biosimilars; pathways for biosimilar approval have also been streamlined in EU and US 2018–20	Biosimilars	Biocon Biologics | TrueNorth, Tata Capital ($105M)

Deep dive on subsequent pages

Source: Bain Analysis

Figure 24: API sub-sector has ample room for growth, with greater sourcing from India to mitigate quality- and compliance-driven supply disruptions in China

India API production 2020–23E ($B)



Outsourced generics API market growing faster than overall API market (by 4 percentage points) (driven by patent cliff, price pressure on Gx form, cost benefits)

~10% growth in outsourced generics API market

Large, addressable opportunity in moderately complex cat. B TAs (upcoming patent expiries; India well positioned given lower volume, higher complexity vs. cat. A)

50+ drugs facing patent expiry

75% of these drugs are cat. B

Tailwinds for India API companies, esp. in cat. B, given supply disruptions in China, pivot towards domestic market by China API companies

2–3 pp Additional growth in India API market due to disruption in China

Change in customer preferences: quality and reliability are top KPCs vs. price, especially in cat. B TAs (where India performs better than China)

High reliability and quality

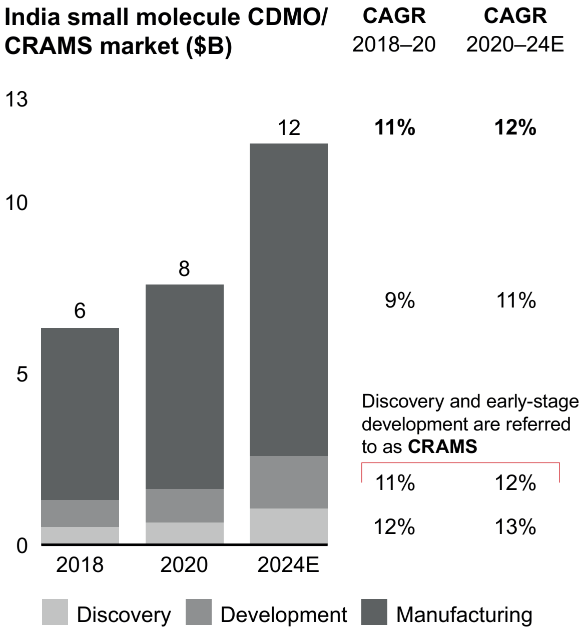
Notes: Cat. A includes high-volume, low-complexity products; Cat. B includes medium-volume, midhigh-complexity products; Cat. C includes niche/low-volume, high-complexity products; Gx: generic drug; TA: therapeutic area
Source: Bain analysis

Figure 25: Key markers of success in API sub-sector include portfolio robustness, market leadership, customer advocacy, and deep chemistry/tech capabilities

Product portfolio (including pipeline)	Presence **in mid/high-complexity category B/C molecules** that face low pricing pressure; **healthy volume growth**, with limited threat of substitution and growing use cases
Market leadership	Achieving **scale/leadership in several key API molecules** (30% or more market share) within the key addressable market (i.e., outsourced API market)
Customer franchise	**Access to marquee customers in regulated markets** (large Gx and MNC pharma companies), with opportunities for **sustained growth through cross-selling**
Customer advocacy	**Superior customer feedback** on KPCs (e.g., quality, reliability), with **NPS scores above 30%**
Cost leadership	Cost leadership in focused API molecules enabled by backward integration and/or process innovation
Regulatory readiness	**Presence of certified facilities** and a superior track record on **inspection history**
R&D strength	**Differentiated R&D capabilities**, with high throughput in launching new, scalable molecules

Notes: Cat. A includes high-volume, low-complexity products; Cat. B includes medium-volume, midhigh-complexity products; Cat. C includes niche/low-volume, high-complexity products; Gx: Generic drug
Source: Bain analysis

Figure 26: India CDMO/CRAMS market estimated at $12 billion and forecasted to grow 12%–13% CAGR driven by technical capabilities, talent pool, and lowering cost differential



Key growth drivers for Indian players

Increased offshoring to Asia and emerging preference for India	• **Offshoring to Asia growing by 9% to 10%** • **Within Asia, India and China account for more than 80% of the capacity and talent pool** • **Supply chain diversification from China** to enable higher India growth compared with China
Technical capability	• **Strong capabilities in chemistry, with scope to improve in biology** • **Niche capabilities in highly potent APIs and peptides** vs. Chinese players
Talent pool	• Strong talent pool, with master's degree/PhD qualifications to build future **R&D capabilities**
Cost advantage	• **Lower manufacturing cost** driven by lower labour cost, but raw material costs are higher than in China
Compliance track record	• **Better compliance of Indian sites compared with China** • FDA citation at an average of ~40% for India compared with 55% for China

Note: Contract research and manufacturing services
Source: Bain analysis

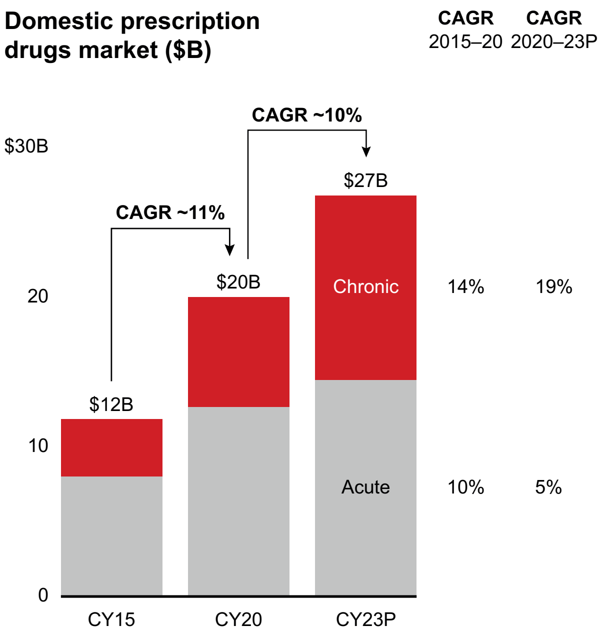
Figure 27: Key success factors in CDMO/CRAMS include superior quality, agility of research, lower costs, reliability of supply, and strong project management

	Key success factors	Key drivers
Discovery/ development (CRAMS)	Quality of FTEs	• **Quality of scientists:** Well-qualified and experienced scientist pool • **Technical knowledge:** Knowledge and execution record of varied molecular chemistry
	Agility/speed of research	• Critical to **shortlist targets rapidly** and move to the pre-clinical phase • Late discovery is highly commoditised; hence, speed to output is the differentiator
	Cost	• **$/FTE** is a key driver for high-volume projects • **Higher discounts and FTE vs. FFS models** critical for ascertaining cost competitiveness
Commercial (CDMO)	Reliability of supply and TAT	• **On-time,** in-full delivery of API/intermediates to minimise time lags in FDF manufacturing • Ability and ease to **ramp up manufacturing scale** (e.g., phase 3 to commercial), even on short notice
	Quality of production	• Spotless **FDA inspection/cGMP track record** • Strong **quality management systems**, experienced quality assurance personnel
	Cost	• **Low-cost** production to ensure higher margins
	Project management	• Strong **key account management practices** and sustained long-term relationships • **Global support** (to minimise time zone–led delays)

Note: FDF: finished dosage form
Source: Bain analysis

Figure 28: Domestic formulation market is expected to grow at 10% CAGR, driven by chronic and CHC/OTC segment

Domestic prescription drugs market ($B)



Key trends

Significant rise in chronic diseases:
- Driven by higher incidence of diabetes and cardiac diseases resulting from genetic predisposition, lifestyle changes, and growing senior population

Price controls to increase affordability:
- Pricing caps expected to increase to ~25% of Indian pharma market vs. approximately 20% currently

Strong traction in wellness/OTC formulations:
- Market expected to double to $15 billion by 2025, driven by health consciousness and higher disposable incomes

Supportive regulatory environment:
- Healthcare has emerged as a clear priority (20% CAGR in health budget), with schemes such as Ayushmaan Bharat

Need for digitalisation:
- Emergence of tech-savvy patients with high adoption rate of digital tools (e.g., telemedicine, e-pharmacy)

Notes: Uncategorised products excluded; Sub-chronic has been included under the acute segment; Existing CAGR and top-line numbers considered for the analysis
Sources: AIOCD; Bain analysis; CRISIL; market participant interviews

Figure 29: Key success factors in domestic formulation include focus on few TAs, building non-DPCO segment, expansion into CHC/OTC market, and driving digital engagement

Leadership and depth in few focused TAs (2–3): Portfolio range and depth covering the majority of sub-TAs

Building non-DPCO (and under-penetrated) categories, such as gastroenterology, dermatology, and women's health

Expansion into OTC/CHC through play in large segments, such as vitamins, minerals, and supplements (VMS), functional supplements

Broad urban reach and expansion into tier 2 and above

Digital engagement with patients, doctors and distribution

Relentless focus on costs: Strong ROI focus on S&M, front-end spending; low back-end manufacturing cost structure, overheads

High advocacy with doctors: Deep doctor engagement; sales force deployment by TA for urban areas and by geography for tier 2 and beyond

Source: Bain analysis

2

Competitive landscape: Rising fund focus towards India

- There has been a steady rise in active funds across the PE/Venture Capital (VC) landscape, with global and domestic GPs making up the bulk at 60% of share followed by LP (institutional investors) and corporates.

- As more funds enter, over 70% of investors concur that global PE firms and LP/SWFs investing directly is the biggest competitive threat.

- PIF and KKR contributed the highest investment at around $3 billion each. Excluding Jio Platforms and Reliance Retail deals, Blackstone and GIC were lead contributors at around $1.5 billion each.

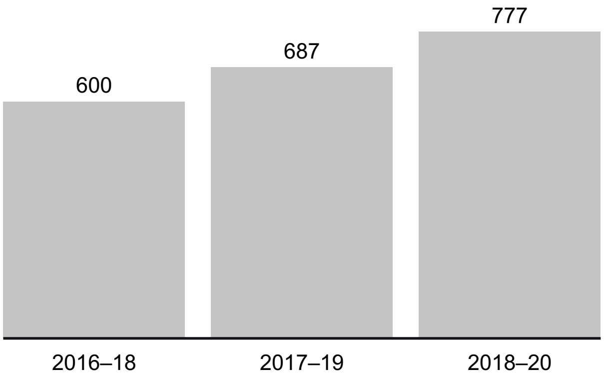
- Gender diversity is increasingly relevant to the landscape because it has become a criteria for LP fund investment; gender-balanced teams also tend to have higher return outcomes. Overall, women's representation in India at 16% is close to the Asia-Pacific average of 19%, but representation at senior levels is significantly lower at 5%.

- Challenges across hiring and retention include lack of diversity in the recruitment pool, limited precedence of women in small PE teams, and uncertain career trajectory post-parental leave. Funds are addressing this through clear representation goals, childcare benefits, mentorship programmes, and efforts to expand the recruitment pipeline (e.g., diversifying pool to include ex-consultants, "Women in PE" events at campuses).

Figure 30: The number of active PE/VC players has been rising steadily, with global and domestic GPs making up the majority

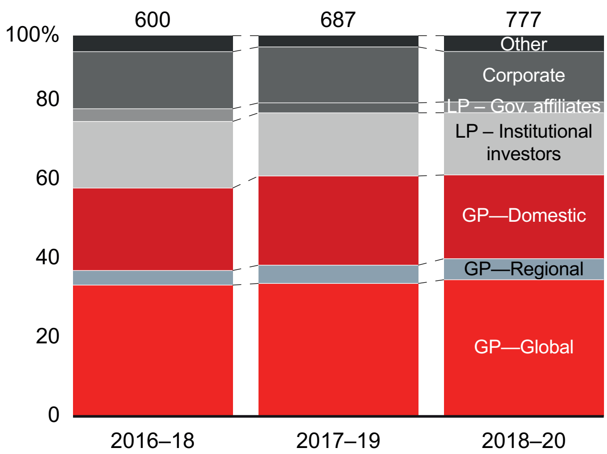
Increasing number of active players

Number of active players in India



Landscape is largely dominated by global and domestic GPs

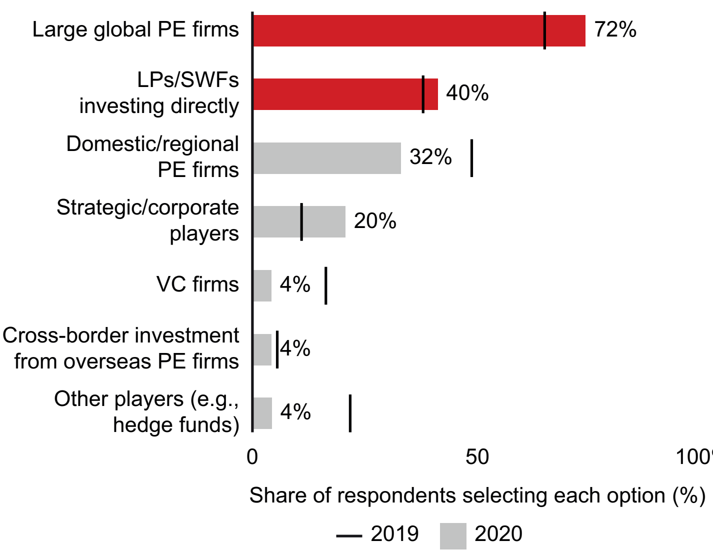
Number of active players in India by type

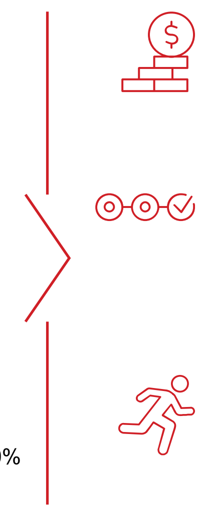


Notes: Includes funds updated in Preqin database in 2020; Includes all deal sizes an active player has made an investment in during the designated period; Excludes real estate and infrastructure; Examples for each player type—GP Global: KKR, TPG, Apax Partners; Domestic GP—Multiples, Kedaara; LPs: GIC, Abu Dhabi Investment Authority (ADIA), Public Investment Fund (PIF); Corporate—Softbank, Tencent Holdings
Source: Preqin

Figure 31: Investors concur that large, global PE firms and LPs/SWFs are the biggest competitive threats

What do you see as the two biggest competitive threats in the coming 12 months?





More PE funds are doubling down on India, with an active focus on large deals (>$100 million) (e.g., PAG, Brookfield)

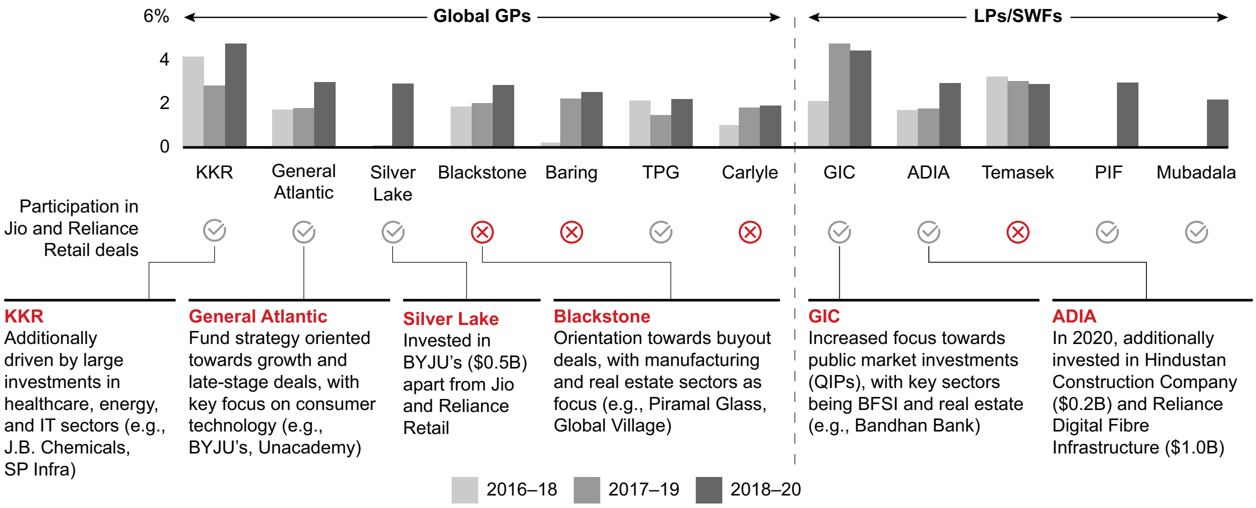
Rising fund focus on India, with active pursuit of large deals given high liquidity and aim to keep portfolio company count limited

Hedge funds adept at faster due diligence processes are intensifying competition, particularly in technology deals and in growth stages

Sources: Bain India Private Equity Survey 2020 (N=32) and 2019 (N=28); Market participant interviews

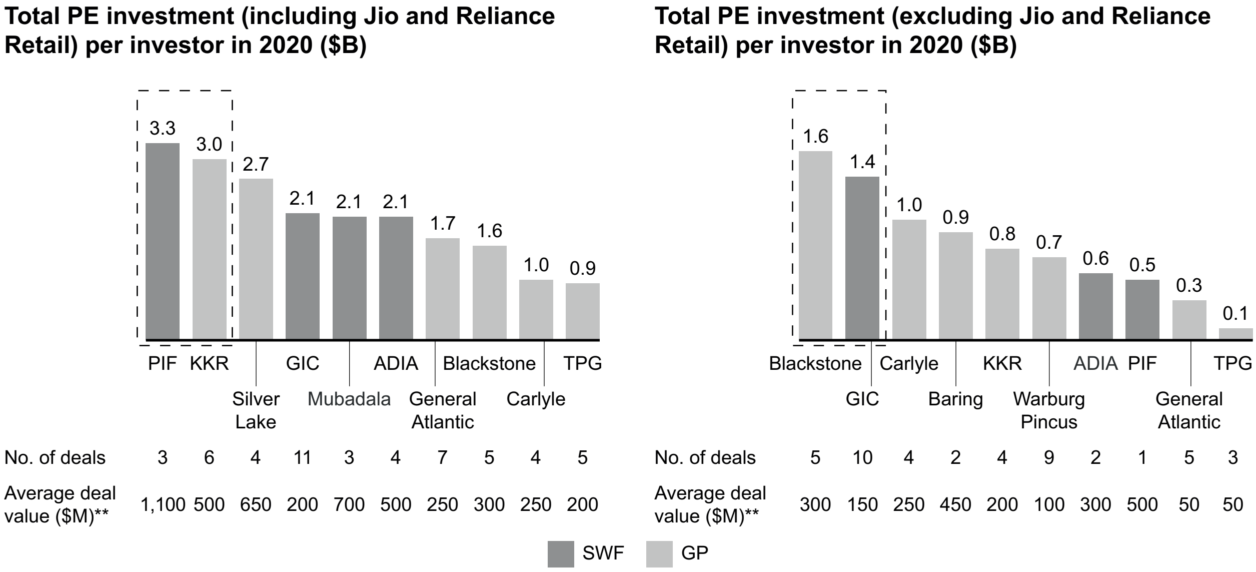
Figure 32: Major GPs and LPs are increasing their penetration into India's deal value, an indication of growing confidence in the Indian market

India PE market penetration (contribution as % of annual deal value, including Jio and Reliance Retail deals) by player



Notes: Deal value includes Jio Platforms and Reliance Retail deals; Includes top 12 firms by deal value in 2018–20; Market penetration defined as investment (deal value) made by investor as a percentage of total investment in India in the time period; In case of multiple investors in a given deal, deal value per investor has been calculated by assuming an equal split amongst the investors; Excludes RE and Infra
Source: AVCJ

Figure 33: PIF and KKR were the biggest investors in 2020, whilst Blackstone and GIC were the biggest investors after excluding the Jio and Reliance Retail deals



Notes: Includes transactions where deal value is known and exceeds $10 million; Excludes investment by Google and Facebook in Jio; Total PE investment considered for those funds that are most active in terms of deal volume/value over the past five years; Deal volumes are not additive because deals with multiple investors may be counted more than once across considered funds; In case of multiple investors in a given deal, deal value per investor has been calculated assuming equal split amongst the investors; ** Average deal value is round off to the nearest multiple of 50; TPG includes TPG Growth and TPG Capital
Sources: Bain PE Deals database; Bain analysis

Figure 34: As PE firms evolve, gender diversity is increasingly becoming a priority

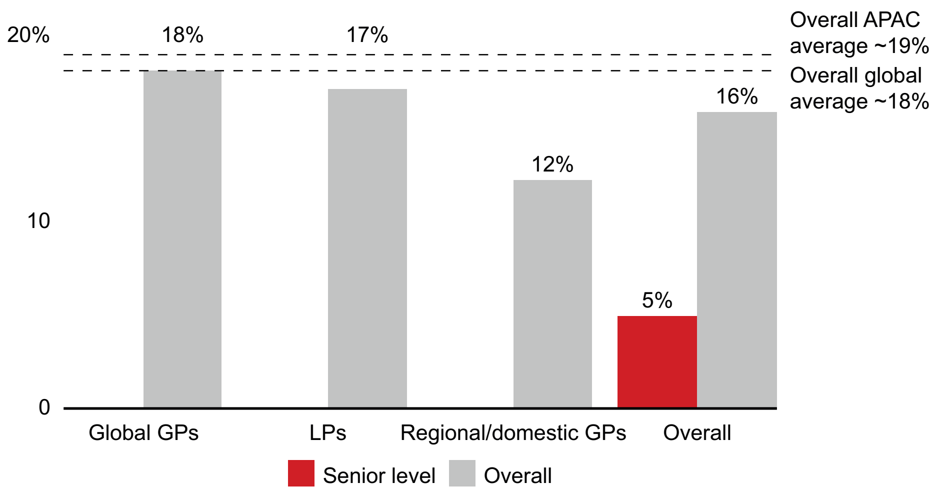
Increasing focus on gender diversity

65%
of **LPs view gender diversity as an important criterion** when committing funds to GPs

20%
higher net IRR
Gender-balanced teams tend to have **better returns**

Overall, gender diversity averages for PE firms in India are near the APAC average, but numbers are significantly lower for senior-level positions

% of women employees to total employees by seniority and fund type



Notes: 25 firms across global GPs, LPs, and regional/domestic GPs have been considered; Overall, Asia-Pacific (APAC) average is for PE and VC funds only (2020); Overall global average is for 2019; Senior employees include MD and partner positions
Sources: LinkedIn; Preqin; International Finance Corporation; World Economic Forum

Figure 35: A limited recruiting pool and lack of senior role models are the key challenges PE firms face in hiring and retaining women

Challenges in hiring

Traditional recruiting pool in PE is from investment banks, which also have low female representation

Lower consideration amongst candidates amid career progression concerns, given limited senior female role models in PE firms

Limited lateral hiring at senior levels, such as partner and MD, because the recruitment pool is restricted to other PE firms

Challenges in retention

In dual-earner households, women tend to take a step back and focus on achieving desired work-family balance

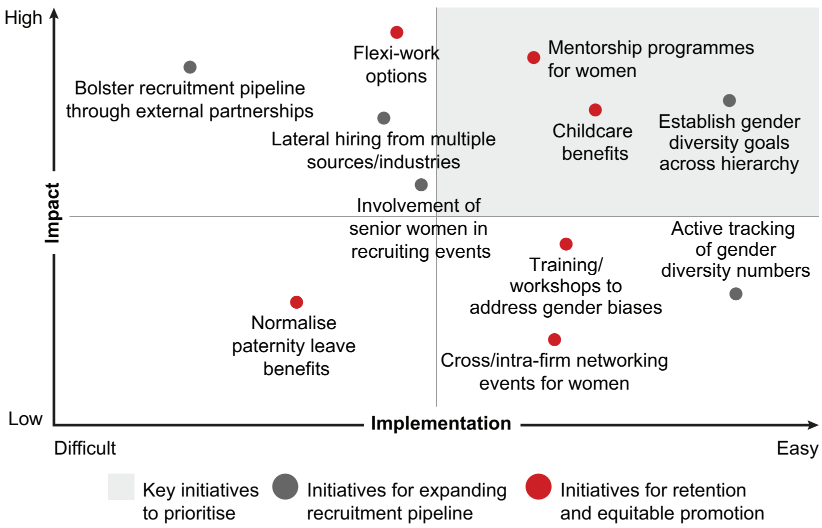
High attrition rate driven by **uncertain career trajectory after parental break**

Perceived barriers to professional growth caused by **lack of mentorship and coaching from senior female role models** despite the presence of senior men as mentors

Sources: LinkedIn; Preqin; International Finance Corporation; World Economic Forum

Figure 36: Key priority initiatives include representation goals, childcare benefits, and mentorship programmes

Key initiatives to increase female representation



Globally

KKR

- In 2015, initiated **global training** to promote understanding of how diversity drives positive performance
- Aims to have **at least two women on the board** of every portfolio company

Advent International

- Ongoing mentorship programme that **pairs hires with internal and external women mentors** to guide career development
- Conducts **events for college women** to provide early exposure to the financial world

In India

- Women in PE (WinPE*) partnered with a consulting firm (Russell Reynolds Associates) to launch India's first **PE/VC women-centric mentorship program across major firms**
- WinPE's other initiatives include a leadership skill training series, a networking platform for young women in finance, and technical masterclasses

Notes: *WinPE, launched in 2020, is a not-for-profit platform to bring transformation in the investing world in favour of gender diversity. It partners with leading PE firms, such as Advent, Apax Partners, Everstone, General Atlantic, KKR, Multiples, Sequoia, True North, and Warburg Pincus; initiatives listed are illustrative
Sources: LinkedIn; Preqin; International Finance Corporation; World Economic Forum

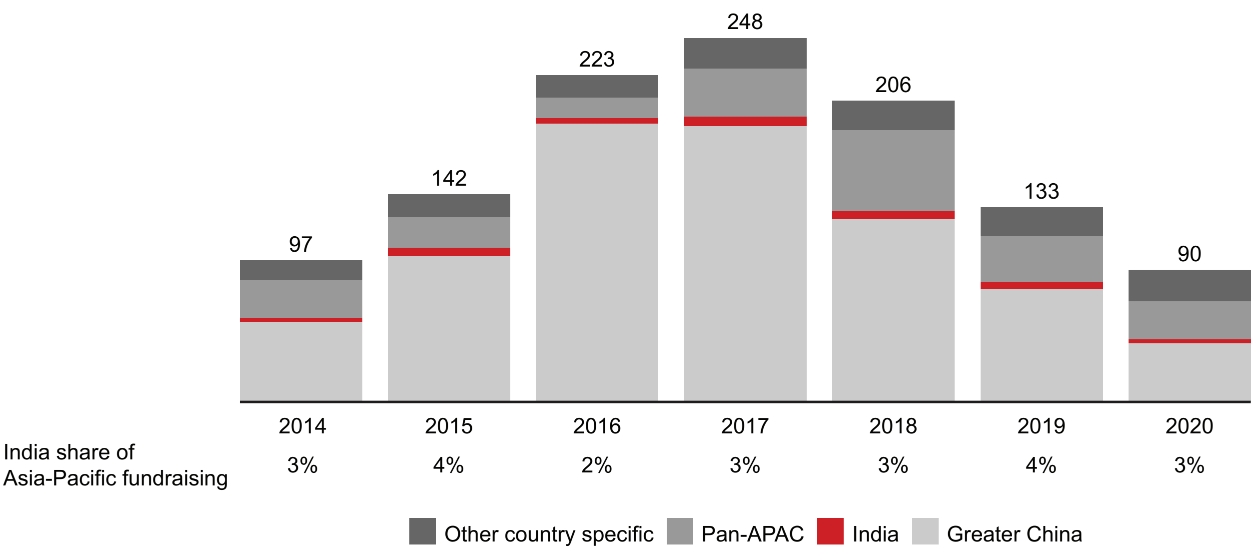
3

Fundraising: No lack of capital for good deals

- Asia-Pacific fundraising has been falling across most markets (33% drop from 2019–20), with China shrinking further on the back of tightening federal government regulations. However, India's share in Asia-Pacific fundraising remains steady at 3%.
- Investor confidence has remained high, with India-focused dry powder remaining resilient at $8 billion and over 90% of closed funds at target or oversubscribed.
- Robust investor sentiment is driving a trend towards larger fund sizes. However, 2020 saw the number of closed funds halved (86 to 43 over 2019–20) due to the pandemic-induced flight of capital to safety.
- Going forward, firms are optimistic about the fundraising environment, primarily due to rising LP confidence in the Indian market enabling larger cheque sizes and broader sectoral focus.

Figure 37: Fundraising has been shrinking across several major Asia-Pacific markets, with China showing steep declines

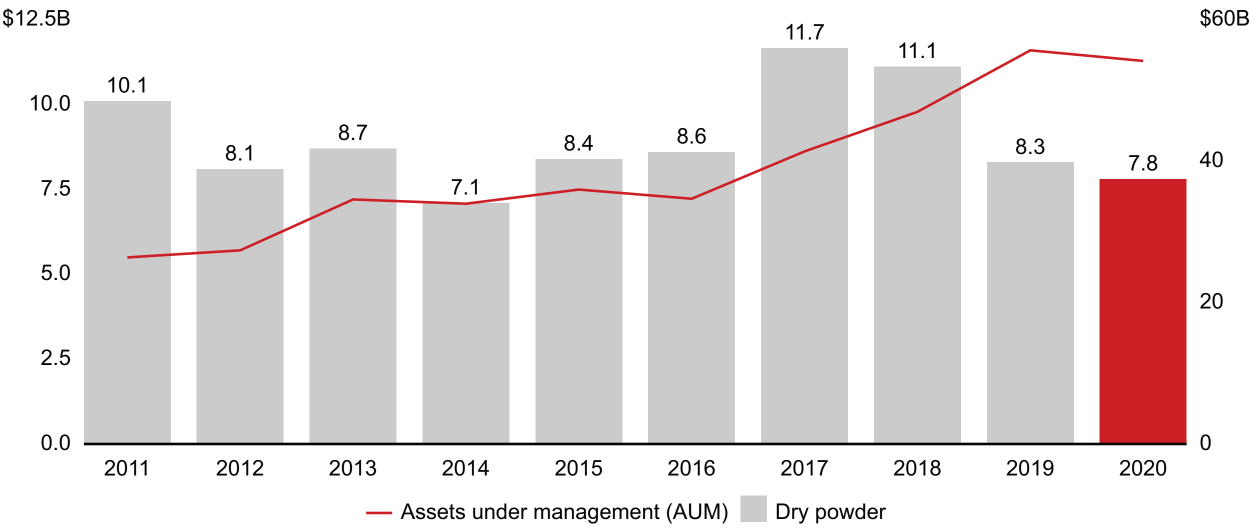
Asia-Pacific-focused capital raised by final year of close ($B)



Notes: Includes funds updated in the Preqin database in 2020; Includes regional and country funds; Excludes real estate and infrastructure
Source: Preqin

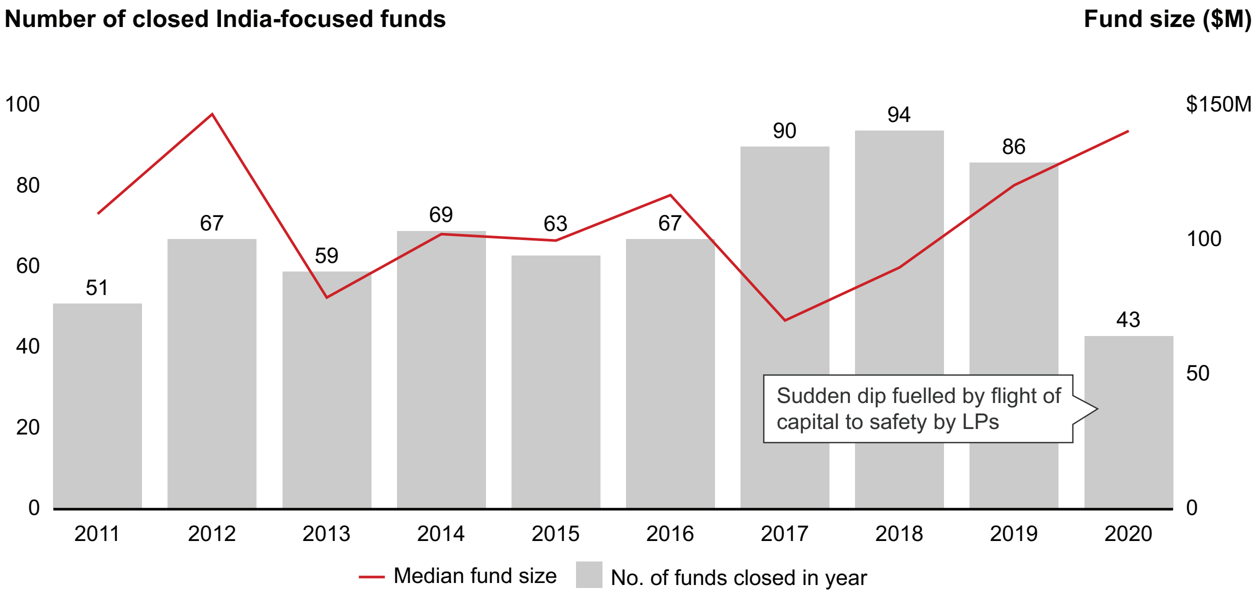
Figure 38: Investor confidence, however, has stayed up, with India-focused dry powder remaining resilient

Dry powder from India-focused funds ($B) **Assets under management ($B)**



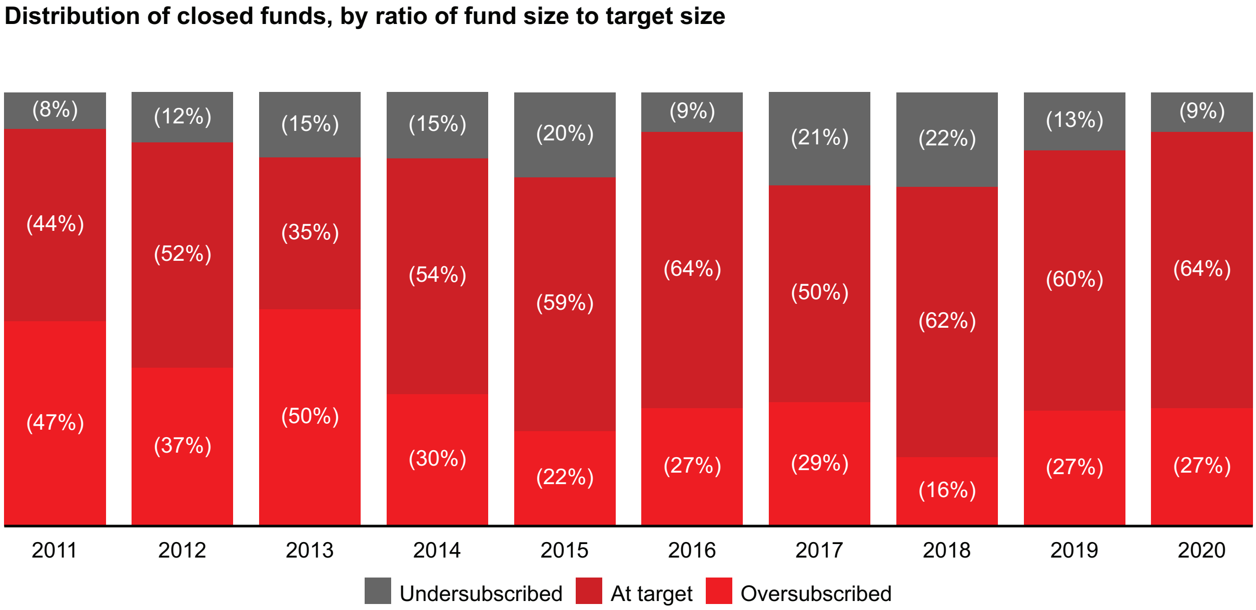
Notes: Includes dry powder only where the fund manager is in India; Does not include debt, real estate, or infrastructure funds; Reported figures are from December of each year
Source: Preqin

Figure 39: Whilst 2020 saw a dip in closed funds, with LPs being highly selective about the GPs they worked with, there is a broader trend towards larger funds



Notes: Includes all fund types (such as buyouts, venture, infrastructure, secondaries, fund of funds, growth, real estate, distressed debt, mezzanine, PIPE, hybrid); Number of funds includes funds with final close and represents the year in which funds held their final close; Median fund size excludes funds without close size reported
Source: Preqin

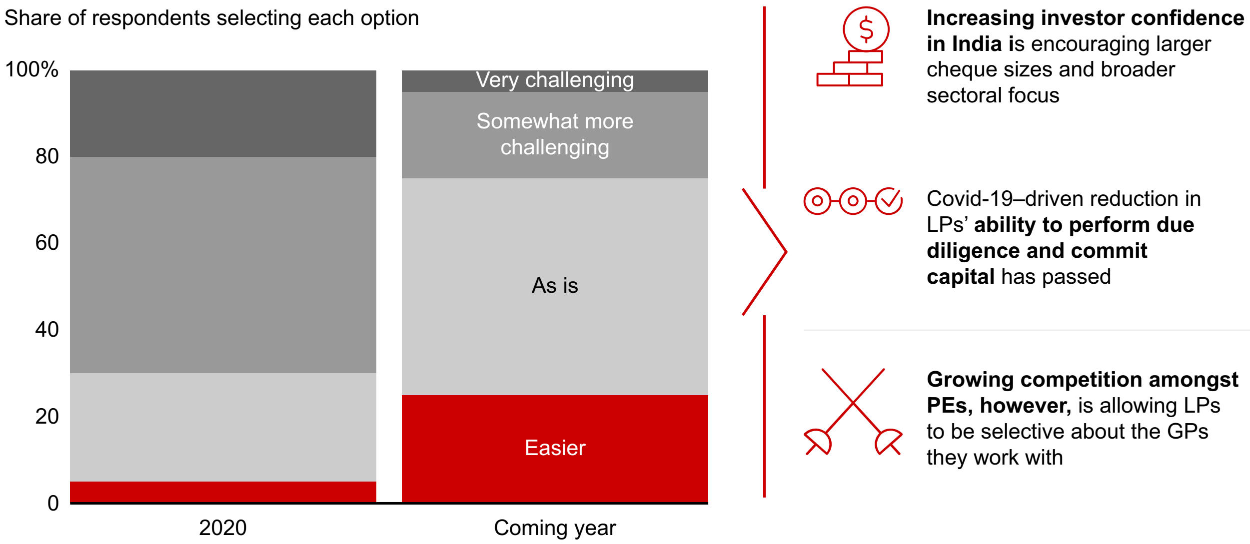
Figure 40: Overall, market confidence is high, with the share of oversubscribed and at-target funds increasing further



Notes: Oversubscribed—funds exceeding target size by 20%; Undersubscribed—funds falling short of target size by 20%; Includes all fund types; Number of funds excludes funds without target sizes or final close sizes reported; Year represents the year in which funds held their final close
Source: Preqin

Figure 41: Going forward, firms are optimistic about next year's fundraising environment

What do you see as the two biggest competitive threats in the coming 12 months?



Source: Bain India Private Equity Survey 2020 (N=32)

4

Exits: High multiples even as exit value dipped

- Exit value slowed by 30% as owners held onto assets amid a slowdown in Q2 and Q3; portfolios also contributed by not reaching full maturity levels in 2020. There was a rebound in Q4 as public markets saw an upsurge and drove up IPOs and other public market sales.

- Secondary sales were the most common exit mode (an increase of 1.6 times by volume over 2019), driven by increased fund activity in IT/ITES and consumer tech even as strategic sales declined as corporates delayed new investments.

- The top 10 exits accounted for 60% of exit value, up from 50% in 2019, with BFSI, real estate, and IT/ITES being the largest contributors.

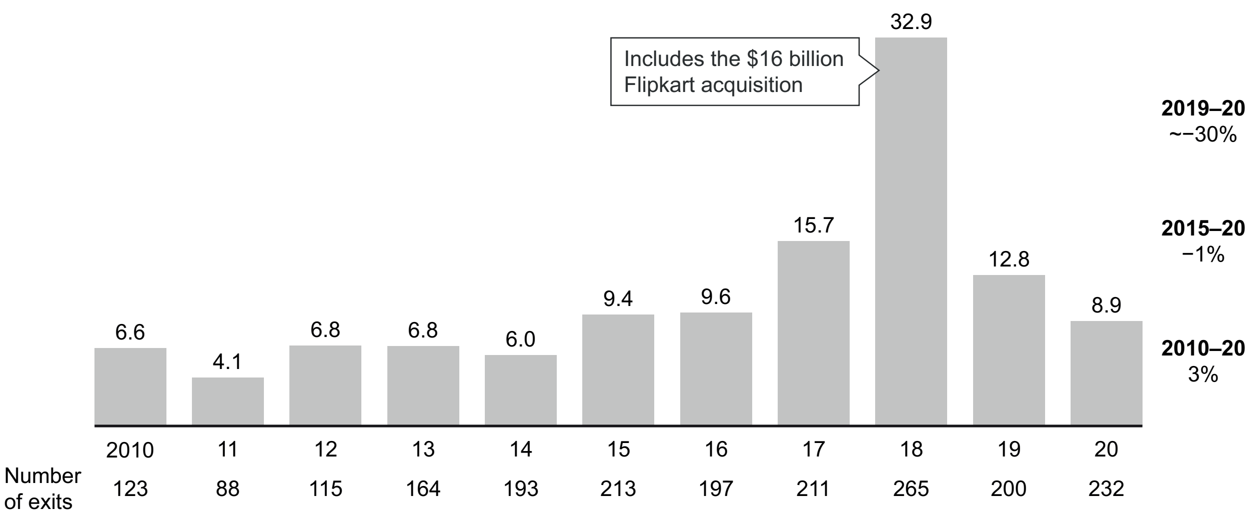
- Exit returns increased by 1.4 times to 4.7 in 2020, driven by high multiples on invested capital and the large volume share of consumer tech, IT/ITES, and BFSI exits.

- Exit momentum is expected to continue with the future IPO pipeline led by BFSI and consumer tech.

Figure 42: Exit activity slowed as owners held onto assets through turbulence, shifting focus to protecting value

Annual exits in India ($B)

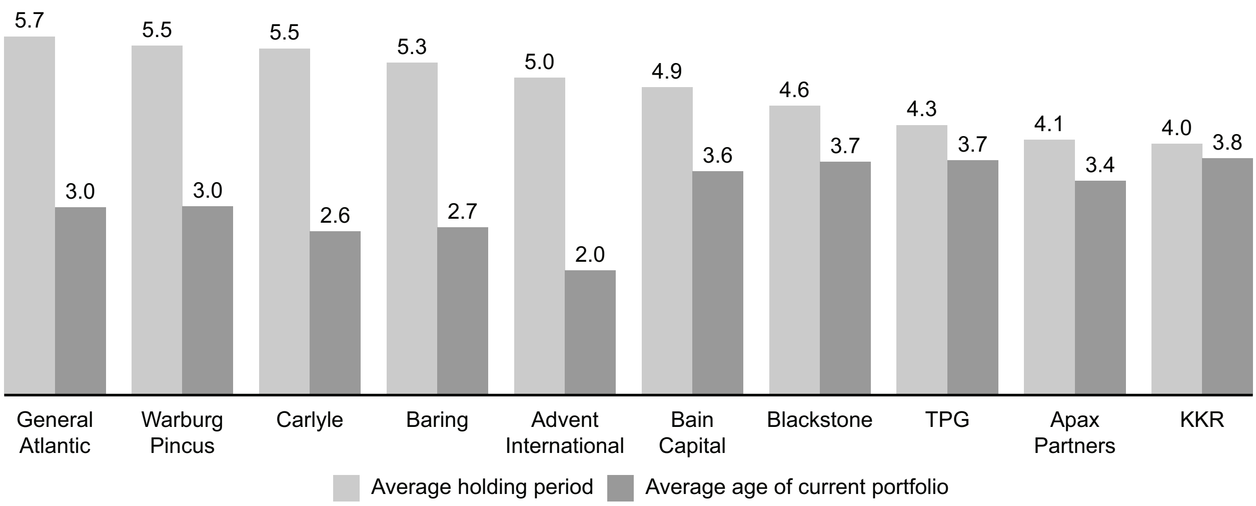
CAGR



Notes: Includes real estate and infrastructure exits; No filter on exit value has been applied to the overall figures; Number of exits includes deals where exit value is not known
Source: Bain PE Exits database

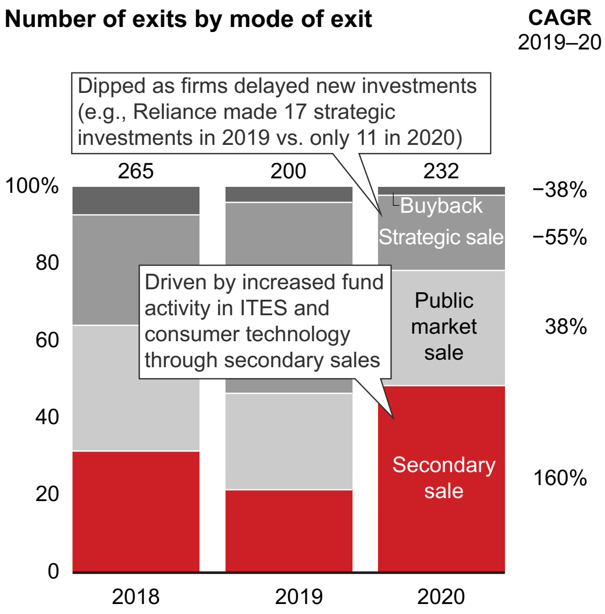
Figure 43: In addition, exit activity was muted as most funds' portfolios did not reach maturity in 2020

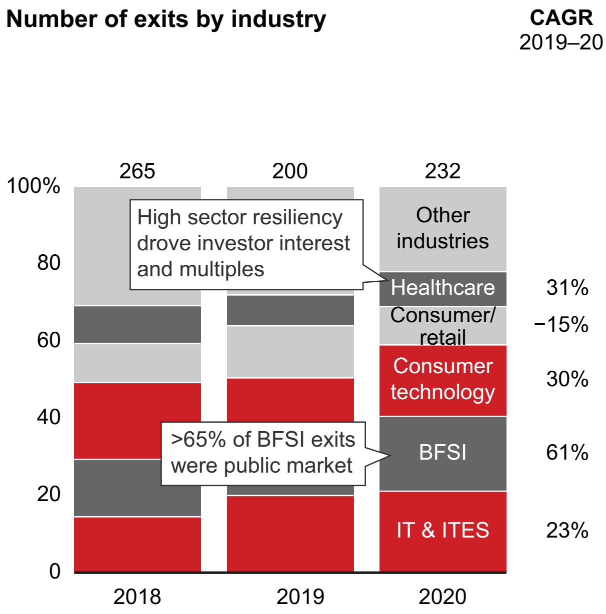
Average holding period and portfolio age of leading PE funds (in years)



Notes: Average holding period and age of current portfolio calculated using simple average; Exit portfolio based on select major deals in India (>$10 million) between 2012 and 2020; Portfolio age calculated only for deals with known value above $10 million; For chart, considered PE funds that were most active in terms of deal volume/value over the past five years
Sources: Bain PE Deals database; Bain analysis

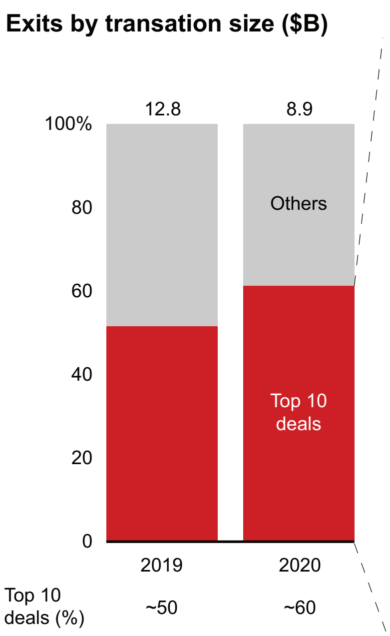
Figure 44: Secondary sales saw an upsurge driven by IT & ITES and consumer technology exits





Notes: Includes real estate and infrastructure exits; No filter on exit value has been applied to the overall figures; Excludes one unspecified exit; Number of exits includes deals where the exit value is not known; For Reliance investments, considered only M&A, JV, and corporate deals
Sources: Bain PE Exits database; Pitchbook

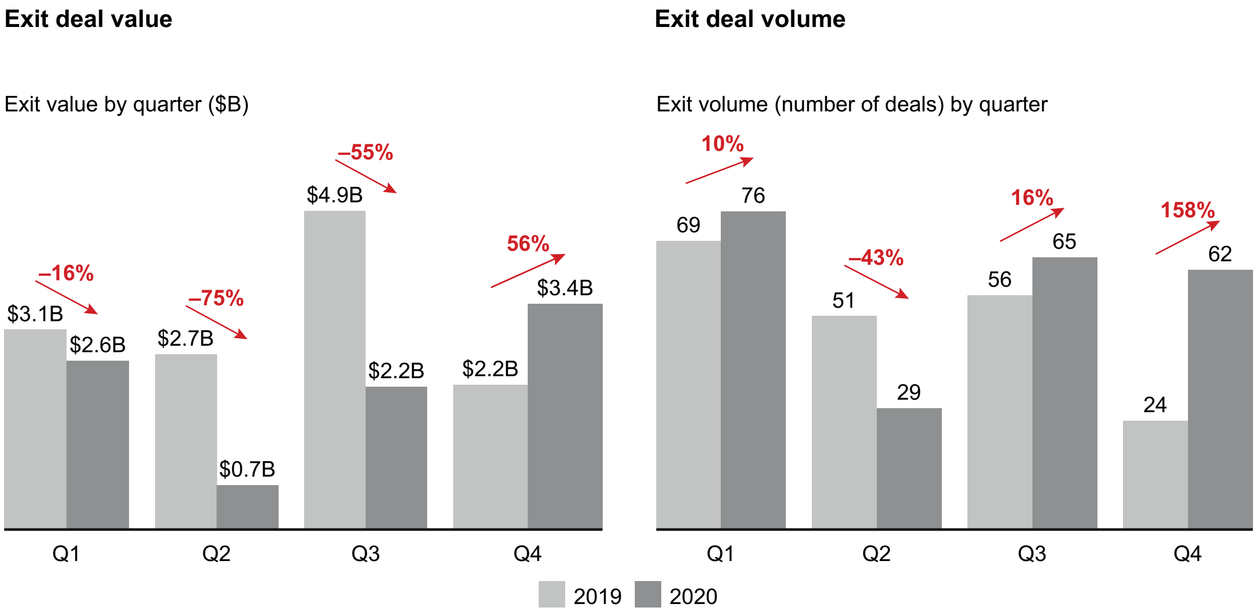
Figure 45: The top 10 exits accounted for 60% of the total exit value, a rise over last year's 50%



Target	Exiting firms	Sector	Value ($M)	Route
SBI Cards and Payment Services	Carlyle, State Bank of India	BFSI	1,419	Public market sale
Vrindavan Tech Village	Blackstone, Embassy Office Ventures	Real estate	1,311	Secondary sale
Mindspace Business Parks	Blackstone, K Raheja Corp	Real estate	600	Secondary sale
Everise	Everstone	IT & ITES	450	Secondary sale
Computer Age Management Services	Warburg Pincus, Faering Capital	BFSI	305	Public market sale
Embassy Office Parks	Blackstone	Real estate	302	Public market sale
WhiteHat Education Technology	Omidyar Network, Owl Ventures, Nexus Venture Partners	Consumer technology	300	Strategic sale
EPL	Blackstone	Manufacturing	253	Public market sale
Ecom Express	Warburg Pincus India	Shipping and logistics	250	Secondary sale
Bharti Infratel	Providence Equity Partners	Telecom	225	Strategic sale

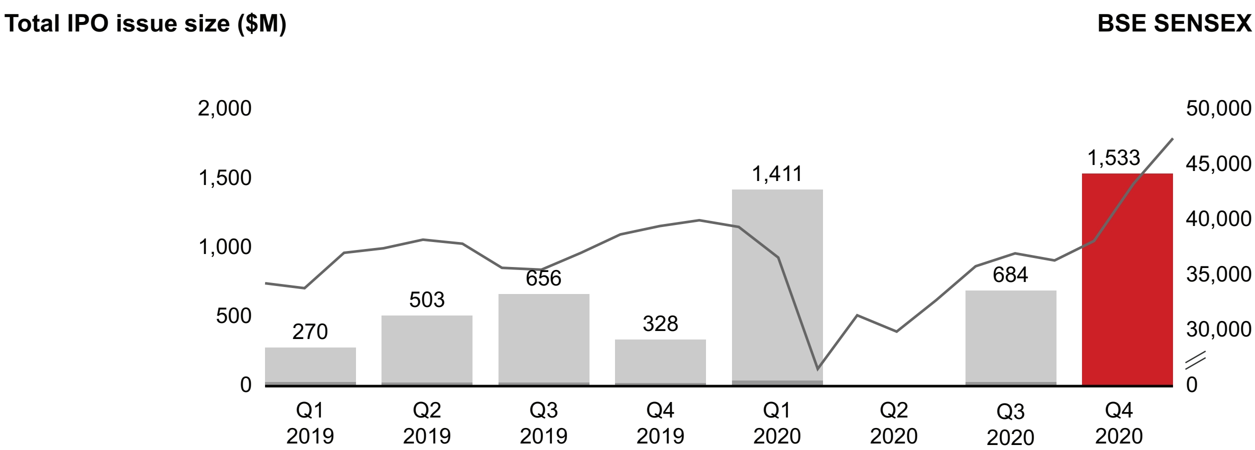
Note: Represents exits where value was reported and available
Source: Bain PE Exits database

Figure 46: Despite the initial slowdown in Q2 and Q3, exit momentum rebounded strongly in Q4



Notes: Includes real estate and infrastructure exits; No filter on exit value has been applied to the overall figures; Number of exits includes deals for which the exit value is not known
Source: Bain PE Exits database

Figure 47: Strong public markets were a key contributor to the rebound in Q4, driving up IPOs and other public market sales



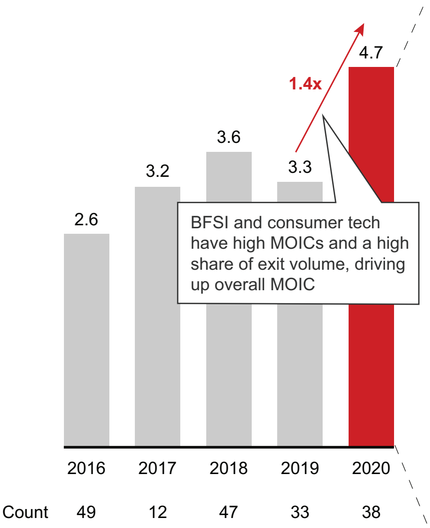
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Total IPO count	3	5	3	5	2	0	6	8
Total public market sales count	17	13	12	8	28	7	17	17

18 public market exits in BFSI in Jan–Feb, including several small finance banks (AU Small Finance Bank, Ujjivan Small Finance Bank) and NBFCs (Manappuram Finance, Aavas, HDFC Bank, Spandana Sphoorty)

Note: Only mainline IPOs (post-issue paid-up capital >INR100 million) have been included in analysis
Sources: Literature search; Bain PE Deals database

Figure 48: 2020 saw a 1.4x increase in exit multiples, driven by high returns for consumer technology and BFSI exits

Multiples on invested capital for exits

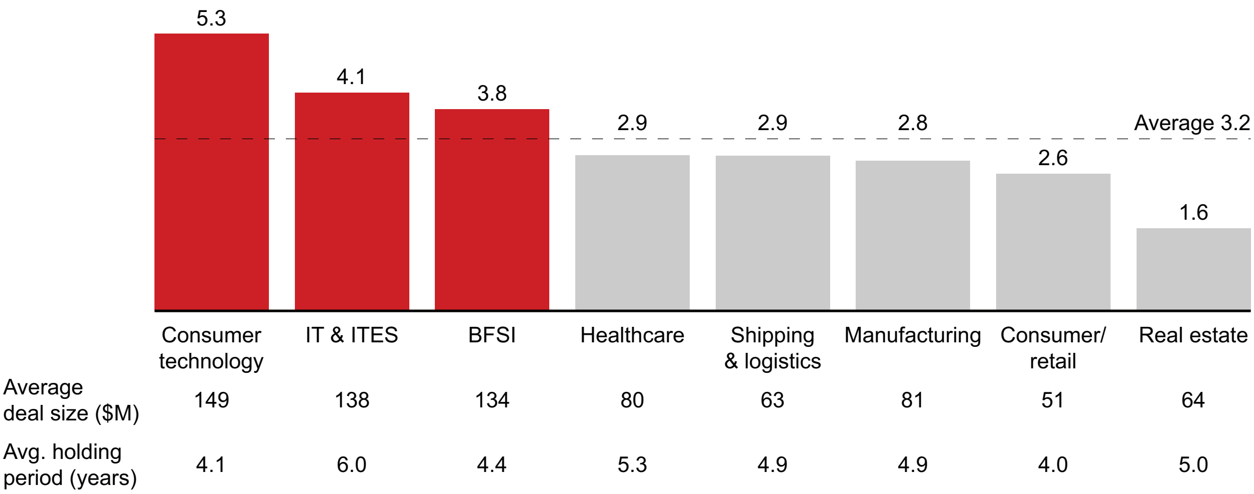


	Portfolio company	Exiting firms	Mode of exit	Exit date	Exit value ($M)	MOIC
BFSI	AU Small Finance Bank	International Finance, Warburg Pincus, ChrysCapital	Public market sale, incl. IPO	Jan 2020, Jul 2020, Dec 2020	370	15
	TransUnion CIBIL	India Alternatives	Secondary sale	Dec 2020	46	10
	SBI Card	Carlyle, SBI	Public market sale, incl. IPO	Mar 2020	1,419	9
	Veritas Finance	Sarva Capital	Secondary sale	Feb 2020	36	8
	Manappuram Finance	Baring	Public market sale, incl. IPO	Feb 2020	100	6
Consumer tech	BYJU's	Sequoia Capital, Chan Zuckerberg, Times Internet, SCHF PV Mauritius	Secondary sale	Jan 2020	100	11
	WhiteHat Education	Omidyar Network, Owl Ventures, Nexus Venture Partners	Strategic sale	Aug 2020	300	10
	Swiggy	Elevation Capital, Accel, Norwest, RB Investments, Harmony Capital, Bessemer	Secondary sale	Jan 2020	222	10
Others	Amber Enterprises	ADV Opportunities Fund	Public market sale, incl. IPO	Sep 2020	82	7
	Mrs. Bectors Food Specialties	CX Partners, Gateway Partners	Public market sale, incl. IPO	Oct 2020	70	7

Notes: MOIC—multiple on invested capital (exit value/paid-in capital); Deal universe includes all deals with known MOICs (updated over last year's database); simple average of MOICs considered; MOICs available for ~25% of exits with known value from 2012 to 2020; Average MOIC considered for multiple (4) AU small finance exits; For BYJU's, average multiple earned by investor considered—Sequoia (21), rest (7–8)
Source: Bain PE Deals database

Figure 49: Overall, consumer technology, IT & ITES, and BFSI sectors have the highest exit multiples

Multiples on invested capital for exits (sector-wise), 2012–20



Notes: Deal universe includes all deals with known MOICs (updated over last year's database); MOIC calculation (distributions + unrealised value)/paid-in capital; Simple average of MOICs considered; MOICs available for ~25% of exits with known value from 2012 to 2020; Average holding period available for ~20% of exits with known value from 2012 to 2020
Source: Bain PE Deals database

Figure 50: The ongoing exit momentum is likely to continue, with a strong pipeline of IPOs across sectors

BFSI

Life Insurance Corporation
Indian Railway Finance Corporation
Home First Finance
National Commodity & Derivatives Exchange
Pine Labs

Consumer technology

BYJU's
Flipkart
Paytm
Policybazaar
Zomato
Ola
Nykaa

Consumer/retail

Kalyan Jewellers
Indigo Paints
Barbeque Nation

Energy

Bajaj Energy
Powerica

Manufacturing

Laxmi Organic Industries
Century Metal Recycling

Hospitality

Apeejay Surrendra Park Hotels
SAMHI Hotels

Infrastructure and real estate

Brookfield India Real Estate Trust REIT

Shipping and logistics

Delhivery

Note: Includes only IPOs with tentative size of $100 million or more; pipeline is illustrative
Source: Bain analysis

5

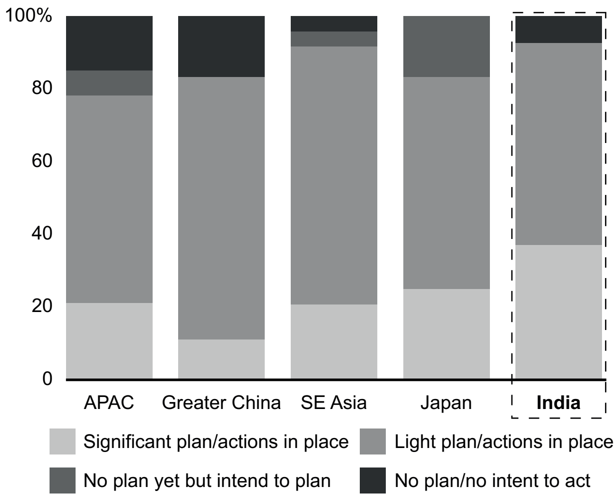
Impact of Covid-19 and outlook for 2021

- Covid-19 forced funds to alter investment strategies and refocus their attention on portfolio health, development of sub-sector views (to factor in pandemic-related behaviours), and assessment of target resilience.
- Firms invested in the health of portfolio companies, offering financial, operational, or organisational support to strengthen competitive positions or ride out the storm. However, 90% of India-based PE funds concur that portfolios have largely proven resilient in the face of Covid-19.
- Environmental, social, and governance (ESG) issues are rapidly gaining attention, with over 90% of firms planning to increase efforts. This is driven primarily by LP mandates, shifting mindsets among both talent and consumer pools, and a recognition of the financial returns in the ESG sector.
- Overall, Covid-19 effects (e.g., increasing online touchpoints, rise of D2C players, focus on healthy living), as well as government initiatives to boost the economy and investments, regulatory restrictions on Chinese investments, and the shifting of global supply chains from China, are likely to shape the ecosystem.
- From an investment perspective, high traction is expected in IT/ITES, consumer tech, and healthcare, with BFSI set for recovery. Investors also expect increasing interest in digitally accelerated opportunities such as digital health (65% of investors), fintech (57%), and edtech (52%).

Figure 51: The pandemic caused funds to significantly alter their strategies, shifting attention to the health of portfolio companies and building sectoral views

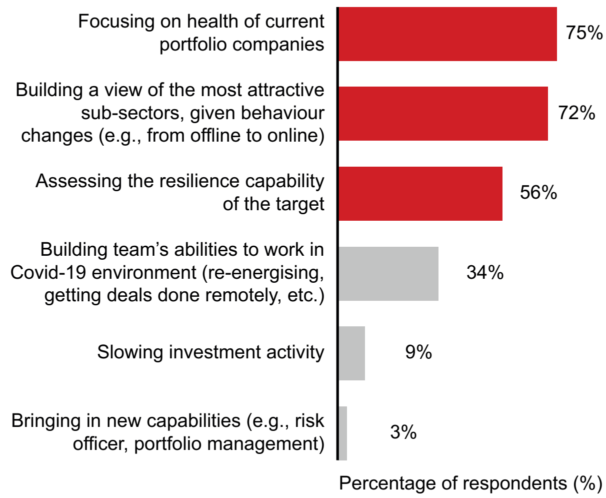
Are you altering your investment strategies given the impact of Covid-19?

PE funds on strategy shift due to Covid-19 (% respondents)



What concrete new steps has your firm taken to address the impact of Covid-19?

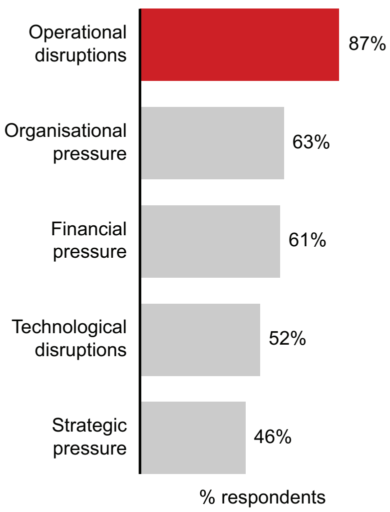
PE funds on new steps due to Covid-19 (India)



Source: Bain India Private Equity Survey 2020 (N=32)

Figure 52: Firms switched gears on how they engaged with portfolio companies to help navigate pandemic-driven operational disruptions

Which issues has Covid-19 increased the chances of for your portfolio?



Firms prioritised in-need companies and increased engagement with CXO leadership to provide immediate and long-term assistance

Act now | **Immediate steps in crisis mode**

- Establishing **emergency response teams** (e.g., a "war room" with dedicated senior team)
- Staying **customer relevant by pivoting to digital**, with top-line focus on online
- Ensuring the **safety of the workforce** (e.g., through digital collaboration tools for remote work)
- Maintaining **liquidity for operations** through cost-cutting measures
- Proactively **mitigating supply chain disruptions** and aligning **demand forecasting and inventory management** with evolving government regulations

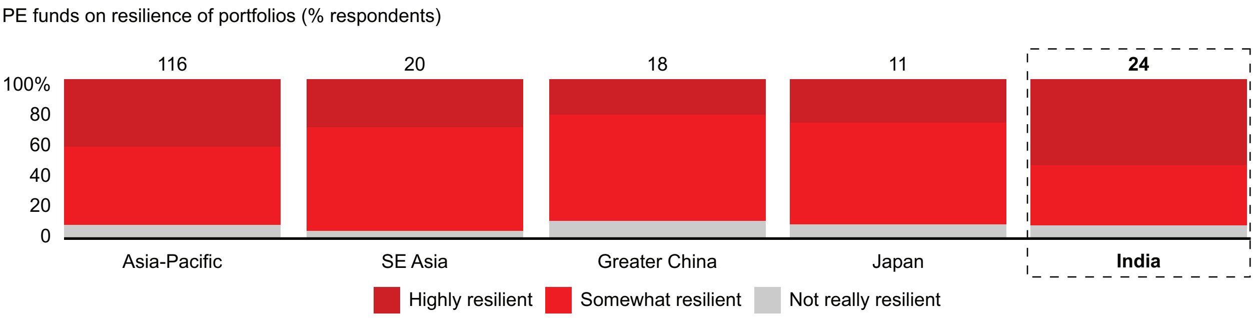
Plan now | **Investing in a future of recovery and retooling**

- Accelerating **large-scale digital transformation** in operations and organisation
- Building **supply chain resiliency** (e.g., distributed supplier network, cost/capacity flex)
- Restructuring **operating model and budget** for stronger crisis management capabilities
- Exploring **alternative financing options** (especially SMEs and over-leveraged companies)
- Refreshing **value proposition and future back-vision** with emerging consumer needs

Sources: Bain India Private Equity Survey 2020 (N=32); market participant interviews; Bain analysis

Figure 53: Overall, many India-based PE fund portfolios have proven to be highly resilient, and funds are focused on efforts to stay ahead of the curve

How resilient have your portfolios proved to be in the face of the Covid-19 shock?



Efforts undertaken

Assess resilience capability of target

- Ensure **balanced product portfolios** to avoid customer concentration
- **Avoid overleveraged companies** with low liquidity and coverage
- Examine ability and muscle to carry out **operating improvements**

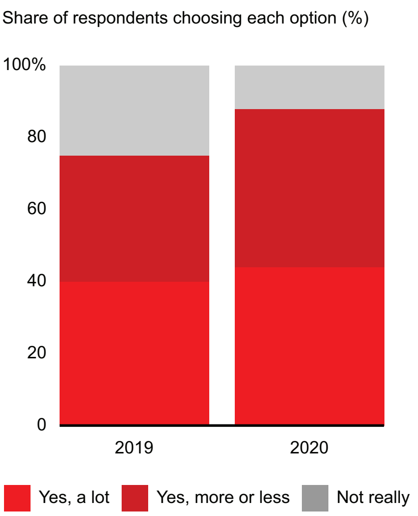
Build resilience of portfolio companies

- Develop **resilience** across crisis preparedness and agility
- Assess risk profile and identify **critical shocks** to hedge against
- Enable **available technology**, workforce mobility, and cybersecurity

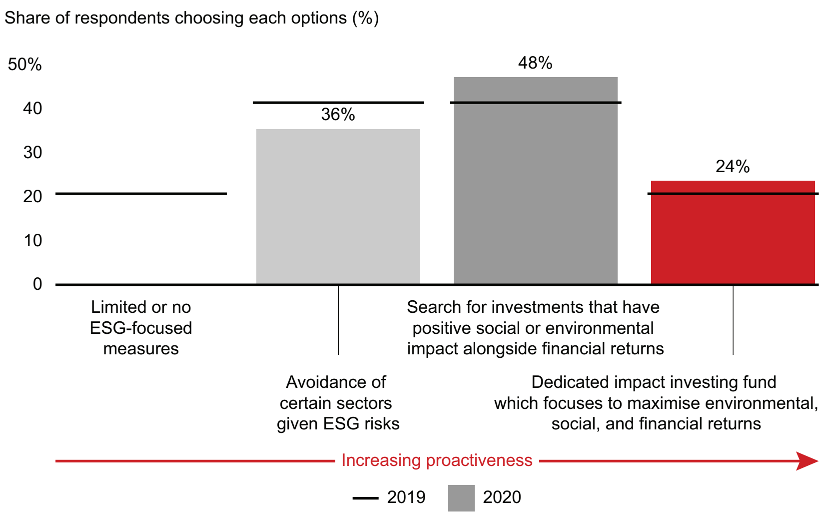
Source: Bain India Private Equity Survey 2020 (N=32)

Figure 54: Additionally, a growing number of funds are focusing on sustainability and environmental, social, and governance (ESG) issues

Will you increase your effort and focus on sustainability and ESG in the coming three to five years?



Which of the following ESG-related measures are in place at your firm?

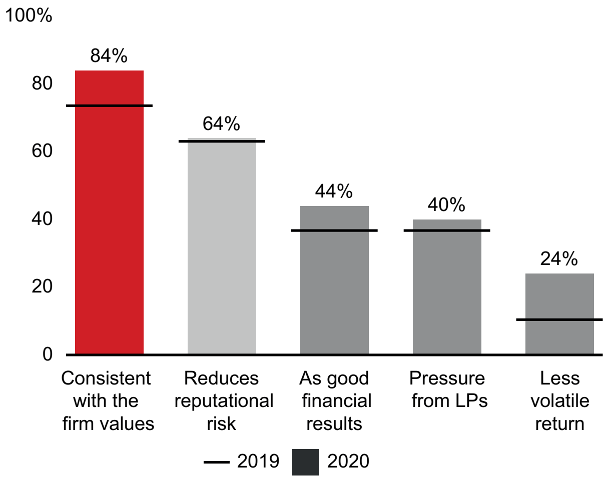


Sources: Bain India Private Equity Survey 2020 (N=32) and 2019 (N=28)

Figure 55: Efforts are being driven by a recognition of impact of ESG initiatives on firm reputation, confidence in financial returns, and LP mandates

What statements do you associate with ESG in your focus geography?

Share of respondents chooisng each option (%)



ESG issues are increasingly becoming a burning platform

Shifting firm values and reputational concerns:
- Growing crop of "socially aware" executives making sustainability a priority and seeking to actively dedicate time
- Positive momentum on the demand side as consumers are increasingly turning to sustainable brands

Growing confidence in financial returns:
- Increasing evidence of financial performance, with returns on ESG-focused deals exceeding or on par with other sectors
- Large global GPs are announcing net-zero commitments for funds and portfolios globally (e.g., Blackstone, Temasek)

Increasing pressure from LPs:
- Global LPs showing commitment to ESG: 50% world wide committed to Net Zero Alliance, TCFD, or PRI
- Demand for funds that deliver financial returns and ESG results

Notes: TCFD—Taskforce on Climate-related Financial Disclosures; PRI—Principles for Responsible Investment
Sources: Bain India Private Equity Survey 2020 (N=32) and 2019 (N=28); The Economist; EU Council; The Guardian; Financial Times; Harvard Business Review; CEPRES; Market participant interviews

Figure 56: Coming out of this crisis, there have been multiple changes in the consumer and business ecosystems

Substitution of offline touchpoints with online	Rise in adoption of on-demand, at-home cross-tech services (e.g., edtech, foodtech, fintech likely to continue because of stickiness in consumer behaviour)
Disruptions to supply chains leading to clear winners in retail	Escalation in growth rates of organised retail (2x vs. 2017), e-commerce (2x vs. 2019), and D2C models (e.g., Wow Skin Science, Country Delight)
Rapid adoption of remote working	Demand for digital technologies enabling connectivity, collaboration, and engagement; need to ensure comfort in conducting large deals entirely through digital channels
Increased focus on healthier, safer living	Accelerated demand for healthcare and wellness, leading to a surge in pharma innovation, manufacturing, and digital delivery models

Sources: Market participant interviews; Bain analysis

Figure 57: In addition, there are key macro-movements at play that will continue to shape the future

Government initiatives to develop ecosystem	Recent regulations (e.g., Union Budget 2021, *Atmanirbhar Bharat**, Start-up India) enabling **increased ease of investing and tax incentives for PE/VCs, boosts for various sectors, and benefits for MSMEs/start-ups**
Supply chains shifting away from China	Increasing attractiveness of India as a **global production hub because of geopolitical shifts,** with success dependent on India's ability to develop a supporting ecosystem
Regulatory restrictions on Chinese investments	**Shift to non-Chinese funding** as overall investments stayed buoyant despite dip in investments from China (down 70% vs. 2019) because of regulatory restrictions (e.g., Press Note 3)

Note: *Self-Reliant India—a series of stimulus packages announced in 2020–21 focusing on economy, infrastructure, technology, demography, and demand
Sources: Market participant interviews; Bain analysis

Figure 58: Trends have shifted across sectors, with IT & ITES, consumer technology, and healthcare poised to capitalise

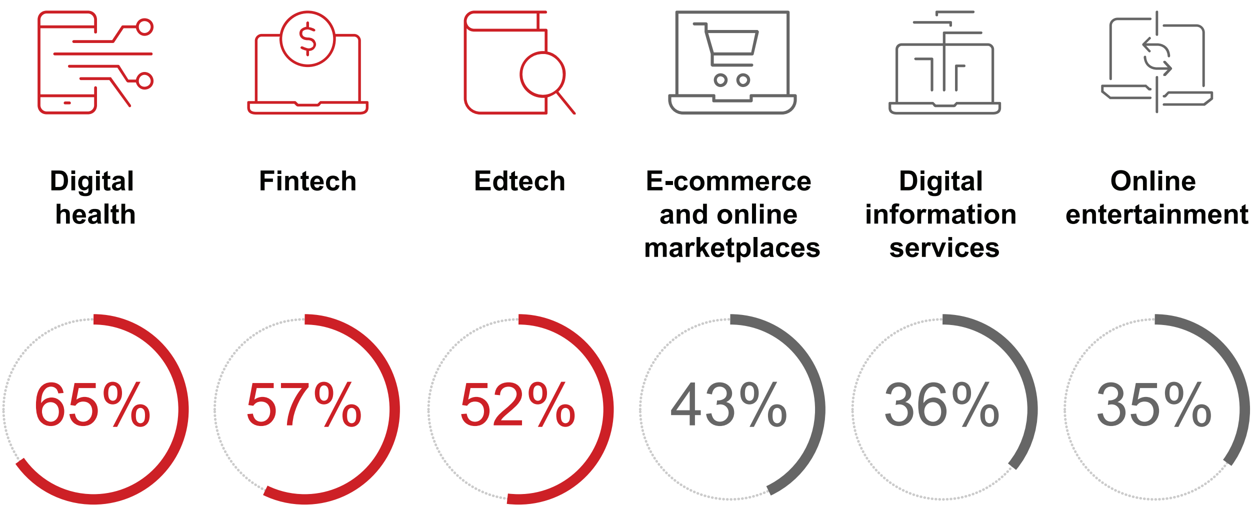
Pre-Covid-19	Short term	Long-term post-recovery
BFSI	↓ Ongoing NPA troubles and moratoria in FY21 coupled with slowdown in business lending	→ Govt. reforms, privatisation of PSUs, recovery of businesses, boosts to infrastructure and real estate (drive need for low-cost capital)
IT & ITES	↗ Immediate buoyancy caused by increasing digital countered by revenue shrinkages from high-contact industries (e.g., TTL)	↗ Growth driven by SaaS and tier 2 IT service companies with capabilities in digital readiness and business
Consumer technology	↑ Rapid push towards "self-service" and other digital channels	↑ Growth remains accelerated, with more "digital-friendly" end users
Consumer/ retail	→ Disruption in supply chain (e.g., wholesale markets) countered by rise in organised retail (for large players), D2C brands, and digital channels; lowered discretionary spending	→ Moderate recovery in non-essentials/discretionary (esp. durables); future growth expected to be driven by organised and D2C brands after Covid-19
Healthcare	↑ Initial supply chain disruptions gave way to surge in API development and contract manufacturing	↗ Growing ability of India to export to global markets instead of China, increased domestic health awareness, rise of digital healthcare
Manufacturing	↘ Decline in automotive and non-essential consumer products sales, with some activity from B2B2C (e.g., packaging)	→ Slow recovery as discretionary spending remains low; uptick from global sourcing shifts and *Atmanirbhar Bharat** programme

Growth relative to pre pre-Covid-19 ↑ Steep increase ↗ Slight uptick → Stable ↘ Slight decline ↓ Steep decline

Note: *Self-Reliant India—a series of stimulus packages announced in 2020–21 focusing on economy, infrastructure, technology, demography, and demand
Sources: Market participant interviews; Bain analysis

Figure 59: Digitally accelerated opportunities within consumer technology are likely to continue seeing good traction

Which technologies/sub-sectors do you expect your firm will focus on in the next three to five years?



Notes: Includes only sub-sectors within consumer technology; Digital information services includes classifieds, real estate, employment, etc.
Source: Bain India Private Equity Survey 2020 (N=32)

Figure 60: Going forward, there are key lessons across deal-making and portfolio management that PE firms have taken away from the pandemic period

Deal-making and fundraising

- **Look for long-term value in target companies** that is not reflected in current prices (e.g., to capitalise on low valuations)
- Develop **sector expertise to place smart bets** (e.g., in-house sector experts)
- Assess **resilience capability** for targets as part of due diligence efforts
- **Scale engagement with LPs** in times of crisis to ensure confidence stays up

Portfolio management

- **Maintain rainy-day reserves** to deploy additional capital and maintain liquidity at critical junctions
- Pivot **engagement model with portfolios** (across senior and junior levels) depending on situation
- Proactively **build digital capabilities** across collaboration, productivity, and analytics
- Mobilise organisation for **opportunistic, large-scale transformation** (e.g., in digital, cost, resilience building)

Sources: Market participant interviews; Bain analysis

About Bain's Private Equity practice

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future. Across 59 offices in 37 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster and more enduring outcomes. Our 10-year commitment to invest more than $1 billion in pro bono services brings our talent, expertise and insight to organizations tackling today's urgent challenges in education, racial equity, social justice, economic development and the environment. Since our founding in 1973, we have measured our success by the success of our clients, and we proudly maintain the highest level of client advocacy in the industry. Bain is also the leading consulting partner to the private equity industry and its stakeholders. Private equity (PE) consulting at Bain has grown eightfold over the past 15 years and now represents about one-quarter of the firm's global business. We maintain a global network of more than 1,000 experienced professionals serving PE clients.

In India, we have a leadership position in PE consulting and have reviewed most of the large PE deals that have come to the market. Our practice is more than triple the size of the next-largest consulting firm serving private equity firms both globally and within India.

Bain's work with PE firms spans fund types, including buyout, infrastructure, real estate and debt. We also work with hedge funds, as well as with many of the most prominent institutional investors, including sovereign wealth funds, pension funds, endowments and family investment offices. We support our clients across a broad range of objectives:

Deal generation. We help develop differentiated investment theses and enhance deal flow, profiling industries, screening targets and devising a plan to approach targets.

Due diligence. We help support better deal decisions by performing due diligence, assessing revenue growth and cost-reduction opportunities to determine a target's full potential, and providing a post-acquisition agenda.

Immediate post-acquisition. We support the pursuit of rapid returns by developing a strategic blueprint for the acquired company, leading workshops that align management with strategic priorities and directing focused initiatives.

Ongoing value addition. We help increase a company's value by supporting revenue enhancement and cost reduction and by refreshing their value-creation plans and strategy.

Exit. We help ensure funds maximize returns by identifying the optimal exit strategy, preparing the selling documents and prequalifying buyers.

Firm strategy and operations. We help PE firms develop their own strategy for continued excellence by devising differentiated strategies, maximizing investment capabilities, developing sector specialisation and intelligence, enhancing fundraising, improving organizational design and decision making, and enlisting top talent.

Institutional investor strategy. We help institutional investors develop best-in-class investment programs across asset classes, including PE, infrastructure and real estate. Topics we address cover asset-class allocation, portfolio construction and manager selection, governance and risk management, and organizational design and decision making. We also help institutional investors expand participation in PE, including through coinvestment and direct investing opportunities.

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IVCA is the oldest and most influential PE and VC Industry body in India, with a focus on promoting the AIF asset class within India and overseas. IVCA's mission is to promote a healthy environment for the growth of private equity and venture capital which is much needed to support economic growth, good governance, entrepreneurship, innovation, and job creation in India.

IVCA stands for the values of good governance, protecting the environment and reducing poverty through growth of the private sector. It establishes high standards of governance, ethics, business conduct and professional competence. We reach out to the far-flung areas of India and also assist on a global scale to contribute significantly.

IVCA is a nonprofit organization powered by its members. The members are influential firms from around the world, including private equity and venture capital funds, corporate advisors, lawyers and institutional advisors.

Considering the crucial role our industry plays in the economy, IVCA aims to:

- Develop and promote India's private equity sector and actively demonstrate its impact to the government, media, and the public at large.
- Establish high standards of ethics, business conduct and professional competence.
- Serve as a platform for investment funds to interact with each other and develop India's PE and VC industry ecosystem.

How we do it:

- With noteworthy committee members on our panel, we advocate for a seamless private equity and venture capital industry in India by representing the views and concerns of our members in front of governmental and other relevant bodies, thereby promoting pro-growth public policy initiatives, international best practices and standards.

- Having members from leading PE and VC firms, institutional investors, corporate advisers, lawyers and other service providers, IVCA serves as an unequalled platform for investment funds to interact with each other and develop the ecosystem.

- We provide a professional development forum for members and those interested in the venture capital and private equity industry through educational and training events. IVCA also has a partnership with Invest Europe, focused exclusively on the professional development of investment professionals.

- In association with its knowledge partners, IVCA promotes, researches and analyses private equity and venture capital in India, and collects and disseminates commercial statistics and information related to the private equity and venture capital industry

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