

India Private Equity Report 2023



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

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Executive summary

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

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

On aggregate, the expansive base of deal volume of 2021 was sustained this year with more than 2,000 deals, as small and mid-sized deal activity continued. Venture capital and growth equity continued to contribute significantly to deal volume with almost 90% of deals, albeit with reduced cheque sizes. Share of VC investments slowed from 2021's seminal annual value of \$39 billion to \$26 billion in 2022 (55% to 43%)—but retained the breakout compared to pre-Covid era deal values of approximately \$10 to \$12 billion a year. PE deal value stayed relatively robust with lower volumes. There was a shift in the contribution of megadeals as \$1 billion investments slowed, with buyouts slowing significantly amidst tighter credit markets and mismatched valuations delaying deal closures. Exits followed a similar decline, slowing to \$24 billion from an all-time high of \$36 billion in 2021. Here as well, traditional sectors dominated the share of exits greater than \$100 million, with healthcare and manufacturing showing the largest increase in exit value. The exuberance around

new-age internet start-up listings waned as initial public offerings (IPOs) of 2021 didn't meet public market expectations—cascading into delays and eventual cancellations of many planned IPOs of consumer tech firms, such as OYO, MobiKwik, PharmEasy, BoAt, and others. However, IPOs of traditional sectors continued, with listings such as Rainbow Hospitals and Medanta Medicity outperforming the market index. In an interesting contrast, the buoyancy in the Indian stock markets (with Nifty reaching its all-time high in November) allowed traditional sectors to find support and enabled strong exit opportunities in follow-on public market exits. Secondary markets dampened towards the second half of the year after 12 months of heated activity.

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

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

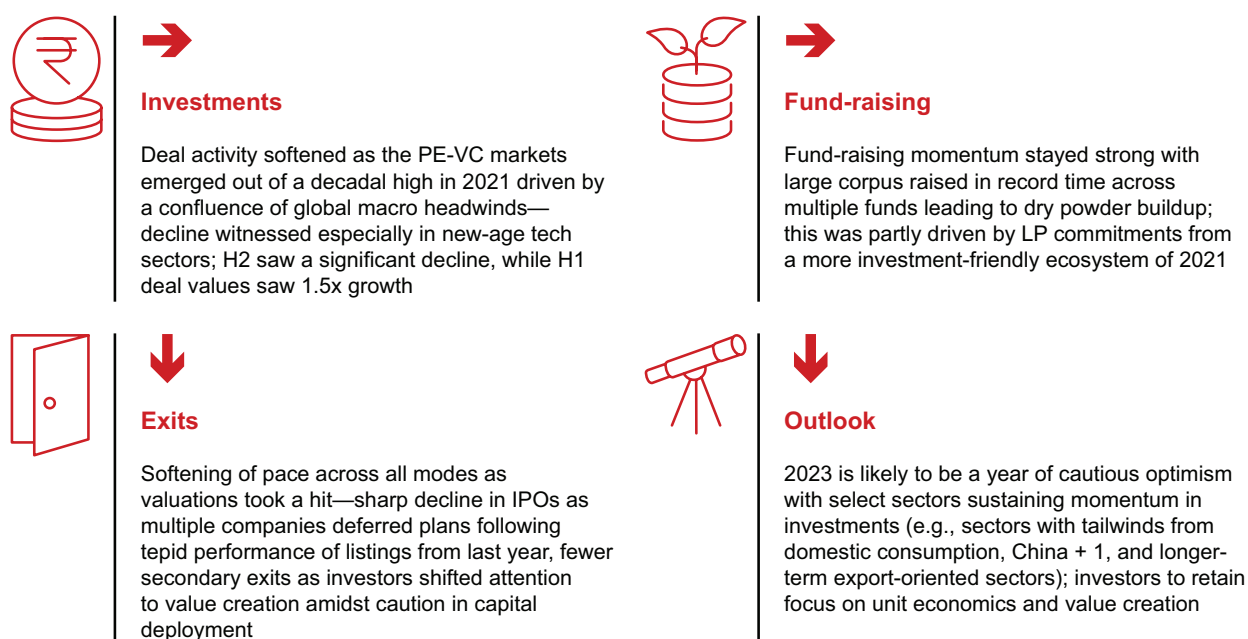
Investors are increasingly looking at India's healthcare sector for secular returns amidst turbulent tides, with an increase in interest in health providers, pharma, diagnostics, and single-specialty providers since 2020. India's healthcare sector saw deal values reach \$4.3 billion in 2022, at approximately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

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

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

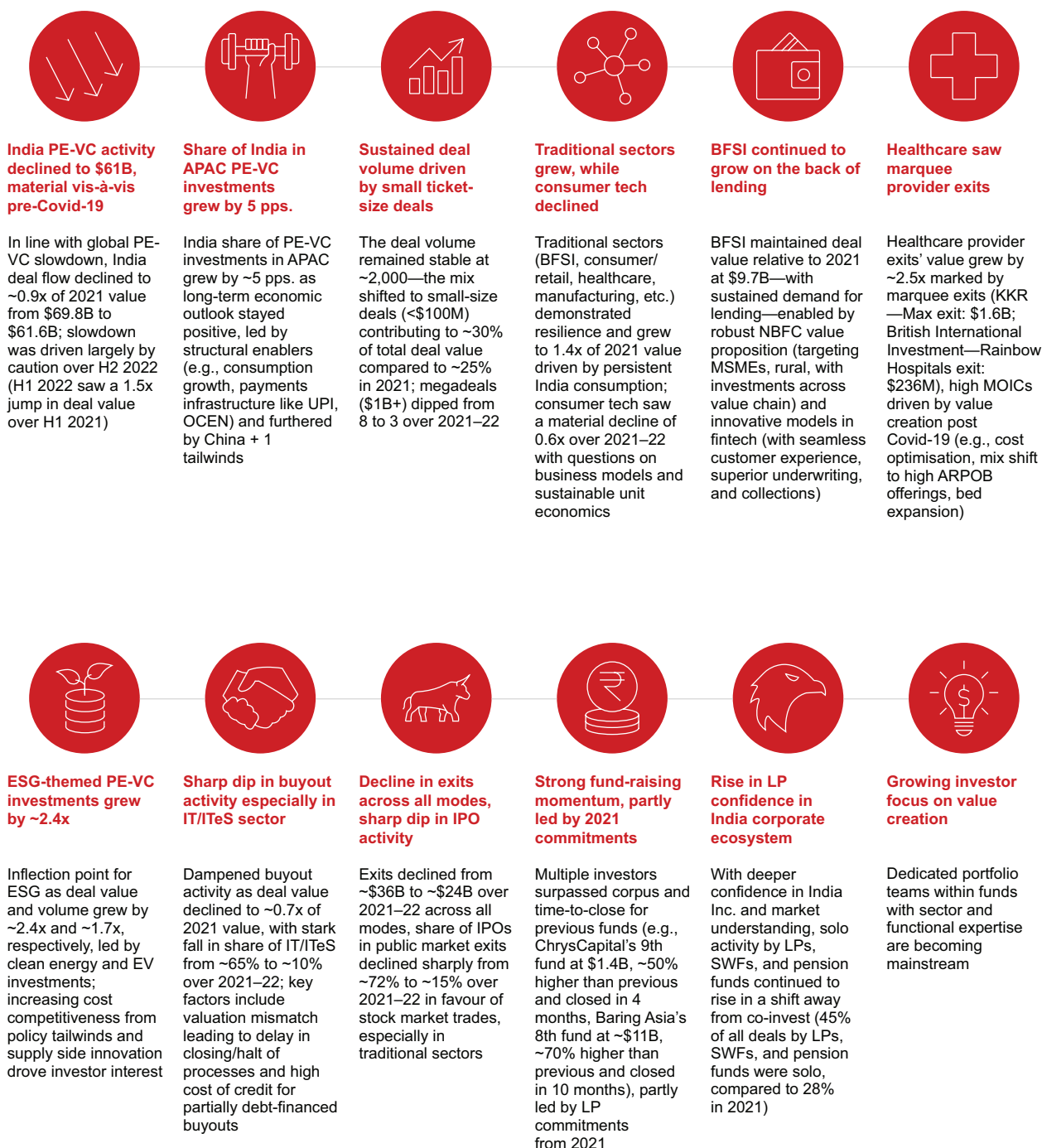
Figure 1: Reflections on the year



Source: Bain & Company

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



Source: Bain & Company



Dealmaking and exits: A year of reckoning

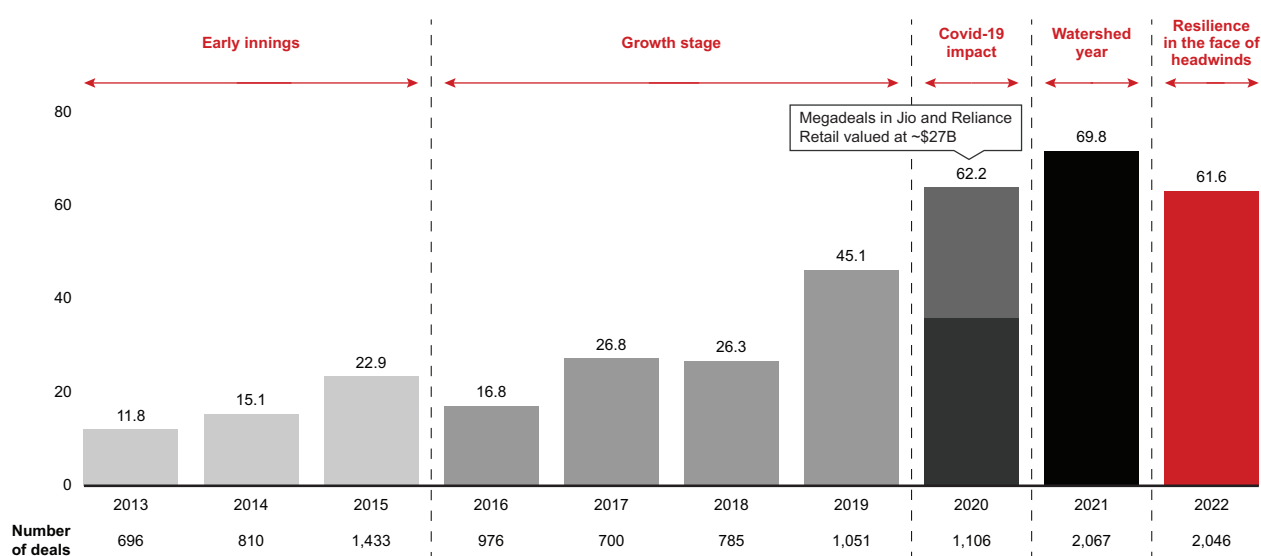
- ▶ 2022 was a year of recalibration for PE-VC investments in India, declining from the record highs of \$70 billion in 2021 to \$62 billion in 2022 amid global headwinds. Structural enablers helped India surpass \$60 billion in investments for a third time in a demonstration of resilience.
- ▶ India's share of Asia-Pacific grew from ~15% to ~20% in a single year, as China + 1 tailwinds and India's macro robustness made the country a bright spot for investing amidst decelerating capital flow in the region.
- ▶ Like other major economies, Indian PE-VC activity was a tale of two halves through the year—shifting from record dealmaking of \$40 billion in the first half to a dip in deal value to \$21 billion in the second half, marked largely by a drawdown in VC cheque sizes and a shift in the deal mix.
- ▶ The year saw sustained deal volumes with small-sized deals (less than \$100 million) contributing a larger share of overall deal flow (from 24% to 31%). Blockbuster deals (greater than \$1 billion) in VC and private equity buyouts saw significant deceleration.
- ▶ IT/ITeS buyouts, commanding a share of \$10 billion of the all-time high in buyout value of \$16 billion in 2021, contracted as multiple IT sector deals failed to close due to a mismatch in valuations. The increasing cost of credit and rise in hedging costs also put a damper on buyout activity.
- ▶ Traditional sectors like BFSI, energy, healthcare, and manufacturing grew by around 50% in 2022 due to robust domestic demand. Consumer tech faced challenges amidst uncertainty in business models and unit economics while IT/ITeS (IT Services) faced challenges in export demand driven by an uncertain global environment, with investment value in the sectors declining by 60% to 70%.
- ▶ Exit activity slowed in 2022 to \$24 billion across all modes of exit after an all-time high of \$36 billion in 2021, but surpassed activity seen pre-2021. Traditional sectors dominated the share of exits greater than \$100 million, with healthcare and manufacturing showing the largest increase in exit value.

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

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

Annual PE-VC investments in India (\$B)

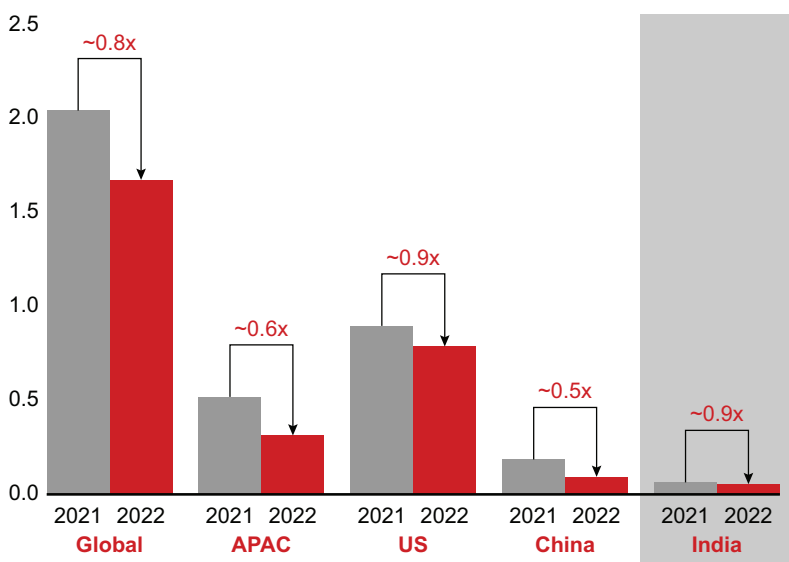


Notes: Includes RE and infra, private investment in public equity (PIPE) and venture capital (VC) deals; Deals with undisclosed values are included in the count of deals
Source: Bain & Company

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

Overview of global PE-VC investments (\$T)



Global macroeconomic uncertainties dampening investment sentiment

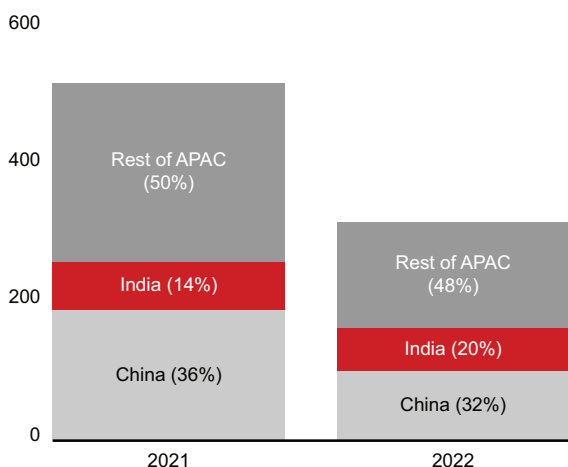
- Tightening monetary policies**, after an extended rate moratorium and Covid-19 stimulus, pulled the plug on capital access across markets—2.5 pps. + interest rate hikes across the US, UK, and Europe
- Intensifying geopolitical tensions** (e.g., Russia-Ukraine conflict, US-China decoupling) disrupted food/energy supply chains and exacerbated inflation
- Additional supply chain shocks** from Covid-19 led shutdowns and trade sanctions by the US/Europe widened the rift between demand and supply (e.g., semiconductors) fueling recessionary fears

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

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

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

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



... driven by robust macroeconomic fundamentals and China + 1 tailwinds

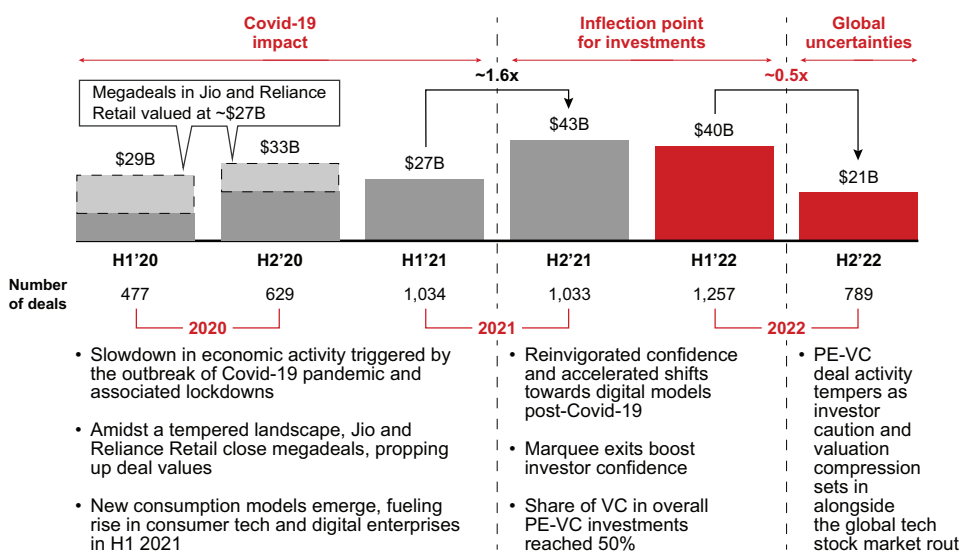
- Structural enablers in India lead to positive economic outlook**
Robust growth prospects led by large consumption potential on the back of expanding middle class (~370M) and share of working age population (900M+), scale adoption of digital rails (e.g., UPI, OCN), and effective fiscal and monetary policy discipline limiting inflationary growth (within RBI hurdle rate of 6%)
- China + 1 tailwinds**
Covid-19 led disruptions in production in China, escalating US-China decoupling and the wave of diversification as global firms look to de-risk sourcing and supply chain exposure; combined with favourable policies such as corporate tax cuts, PLIs in India are driving shift in economic activity to India, especially in categories such as electronics, textiles, and pharma
- Trickle down of macroeconomic uncertainty in the region**
Macro headwinds impacted most of the countries in the region (e.g., high interest rates and weak domestic currency limiting capital deployment in Korea) in addition to some structural challenges (e.g., ageing population in Japan); however, some bright spots were seen (e.g., early-stage deals in ANZ, global capital inflow into Japan)

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

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

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



Investment trends



Sustained momentum in H1 2022 led by overhang from 2021 despite emergence of early headwinds (e.g., rising interest rates, stock market rout)



H2 2022 witnessed sharp decline vs. 2021: deal value declined from \$40B to \$21B over first half of the year, led by both lower number of deals and compressed deal sizes

34%
Share of H2 2022 deal value in full year

- Slowdown in economic activity triggered by the outbreak of Covid-19 pandemic and associated lockdowns
- Amidst a tempered landscape, Jio and Reliance Retail close megadeals, propping up deal values
- New consumption models emerge, fueling rise in consumer tech and digital enterprises in H1 2021

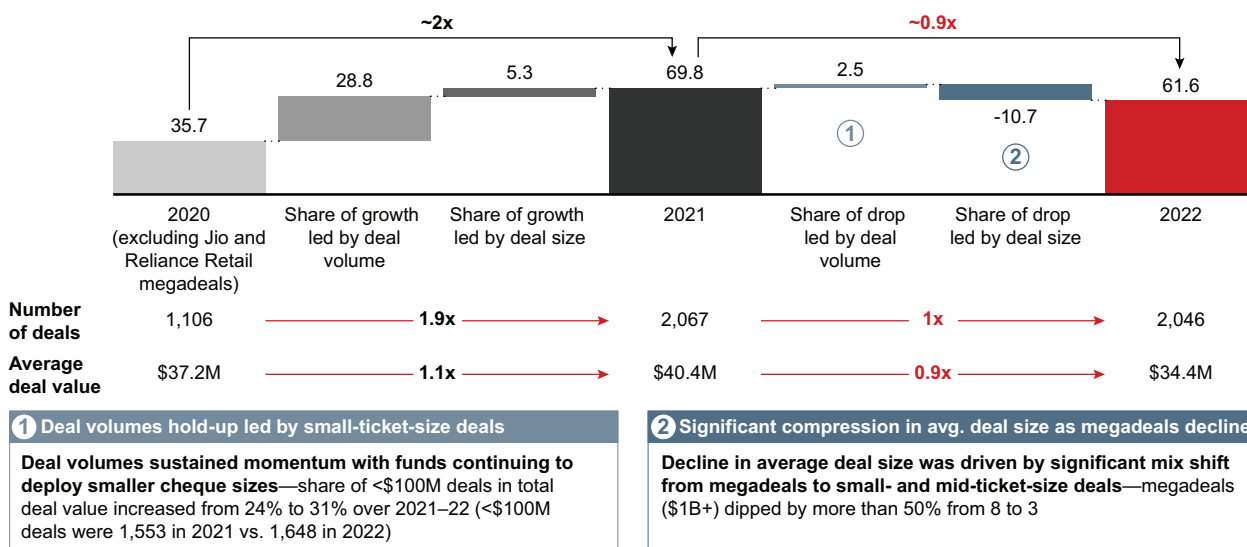
- Reinvigorated confidence and accelerated shifts towards digital models post-Covid-19
- Marquee exits boost investor confidence
- Share of VC in overall PE-VC investments reached 50%

- PE-VC deal activity tempers as investor caution and valuation compression sets in alongside the global tech stock market rout

Source: Bain & Company

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

Annual PE-VC investments in India (\$B)



1 Deal volumes hold-up led by small-ticket-size deals

Deal volumes sustained momentum with funds continuing to deploy smaller cheque sizes—share of <\$100M deals in total deal value increased from 24% to 31% over 2021–22 (<\$100M deals were 1,553 in 2021 vs. 1,648 in 2022)

2 Significant compression in avg. deal size as megadeals decline

Decline in average deal size was driven by significant mix shift from megadeals to small- and mid-ticket-size deals—megadeals (\$1B+) dipped by more than 50% from 8 to 3

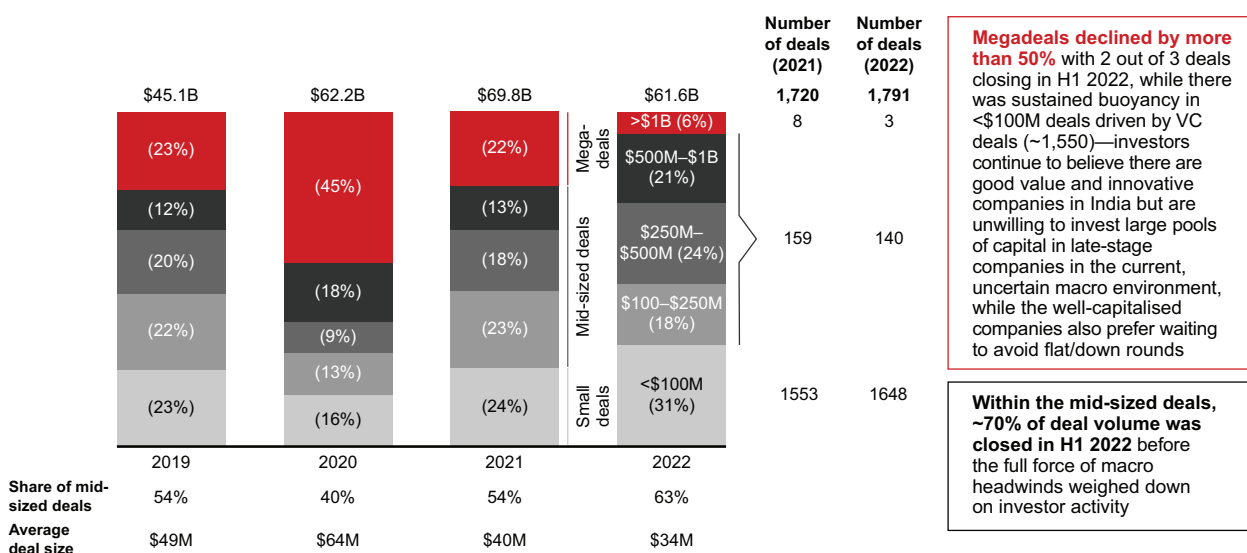
Notes: Number of deals includes deals with undisclosed values; However, only disclosed deal values are considered for average deal value calculation
Source: Bain & Company

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

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

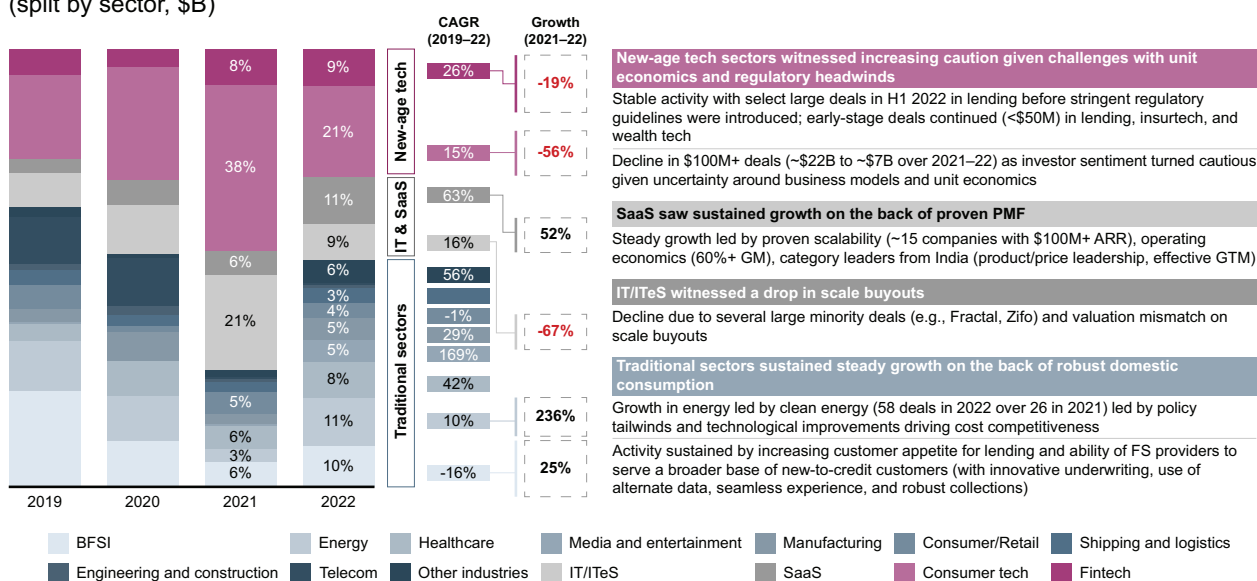
Investment trends



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

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

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

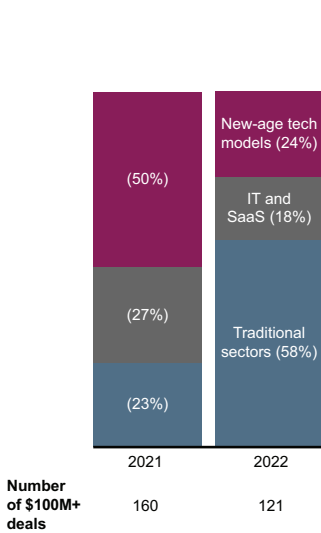


Notes: Excludes Jio and Reliance Retail megadeals; Sectors exclude RE and Infra; Other industries includes space tech, sports franchising, and education; GM: Gross margin; GTM: Go to market; ARR: Annual recurring revenue; FS: Financial services
Source: Bain & Company

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

Sector split of \$100M+ deals



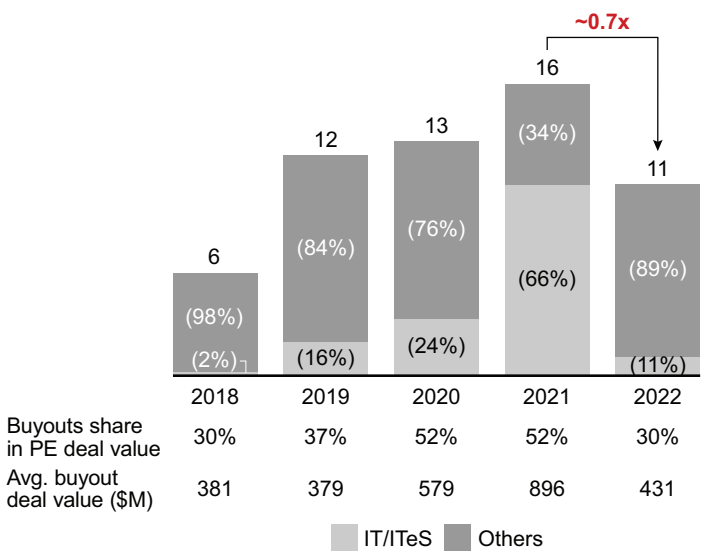
Overview of top 15 deals in 2022

Growth in average deal size (2021-22)	Company	Sector	Lead investor	Deal value	Quarter
-18%	Viacom 18	Media and Entertainment	Bodhi Tree Systems	~\$1,776M	Q2
	YES Bank	BFSI	Advent, Carlyle	~\$1,100M	Q3
	Securonix	SaaS	Vista Equity Partners	~\$1,000M	Q2
-42%	CitiusTech	IT/ITeS	Bain Capital	~\$960M	Q2
	VerSe Innovation (Dailyhunt)	Consumer tech	CPP Investments	~\$833M	Q2
	IGT Solutions	IT/ITeS	Baring Private Equity	~\$810M	Q2
	BYJU's	Consumer tech	Byju Raveendran (reinvestment), Vitruvian*	~\$800M	Q1
17%	Suven Pharmaceuticals	Healthcare	Advent	~\$762M	Q4
	Gujarat Titans	Other Industries (Sports Franchising)	CVC Partners	~\$753M	Q1
	Swiggy	Consumer tech	Invesco	~\$700M	Q1
	ReNew Surya Roshni	Energy	Mitsui PE	~\$662M	Q2
	Allen Education	Other Industries (Education)	Bodhi Tree Systems	~\$600M	Q3
	IDFC Asset Management	BFSI	Bandhan Bank	~\$592M	Q2
	Tata Power Renewable Energy	Energy	Mubadala, Blackrock	~\$525M	Q2
UPL Corp	Manufacturing	KKR	~\$500M	Q4	

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

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

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



Buyout trends

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

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

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

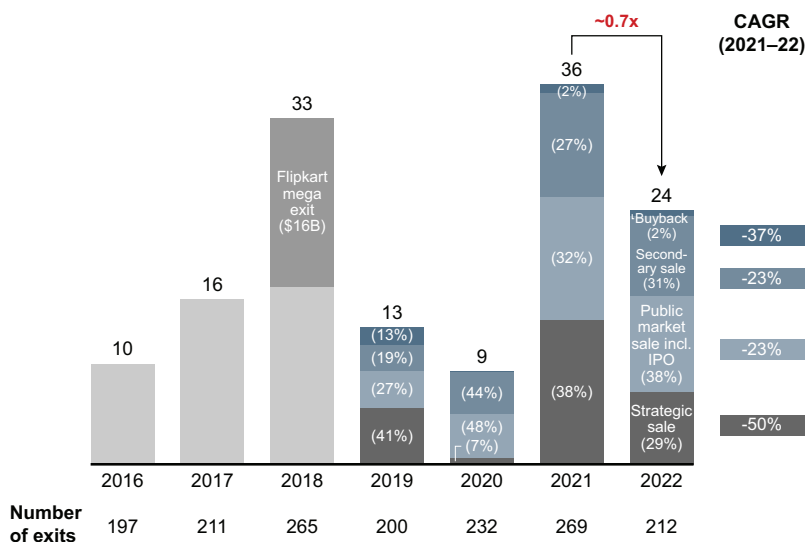
2.5–5 pps. interest rate hike by the global central banks

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

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

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



Exit trends

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

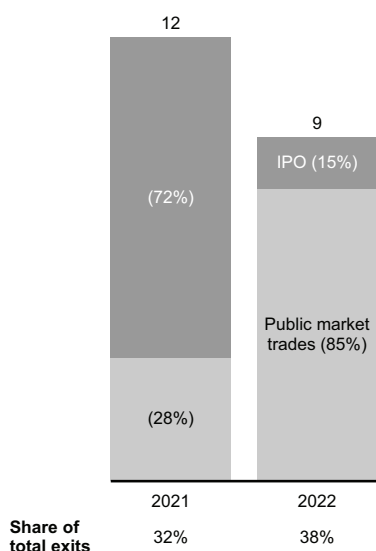
Decline in public market exits primarily driven by fewer IPOs (15% of public market exit value compared to ~70% in 2021) amidst tepid performance of 2021 listings; however, strong stock market performance of traditional sector boosted public trades (~85% of public market sales)

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

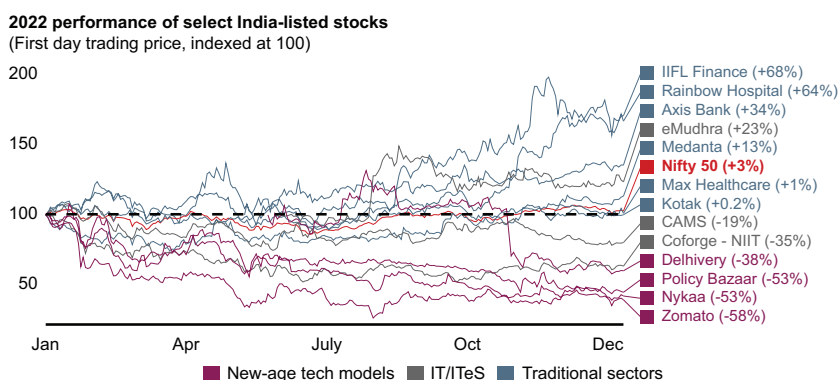
Notes: Includes RE and infra exits; Number of exits includes exits with undisclosed value; TSLP: Tata Steel Long Products; Includes \$4.7B BillDesk acquisition by PayU; called off in October 2022
Source: Bain & Company

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

Total public market exits
(split by mode of exit)



Stock performance of select companies with public market exits in 2022



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

OYO	BoAt	MobiKwik	PharmEasy
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Strong post-IPO public market exits for traditional sectors enabled by buoyant markets:

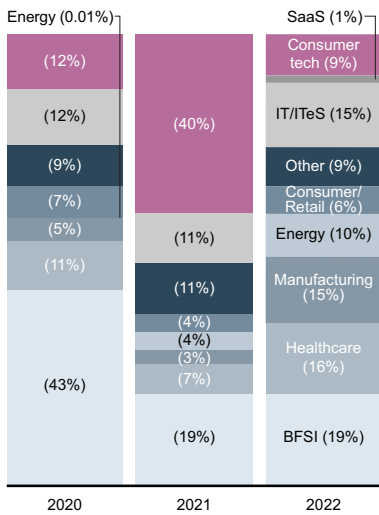
Key exits (exit value)	Max Healthcare (\$1.6B)	Coforge (\$0.3B)
	Kotak (\$0.9B)	Axis Bank (\$0.2B)

Sources: Bain & Company; S&P Capital IQ

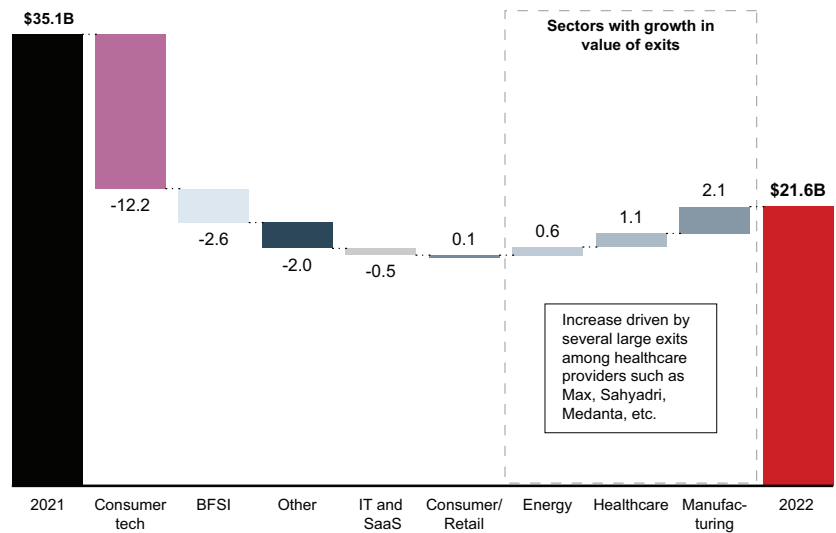
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Figure 10: Consumer tech exit value declined sharply in 2022 while healthcare and manufacturing saw the largest increase

Share of exits by sector (\$B)



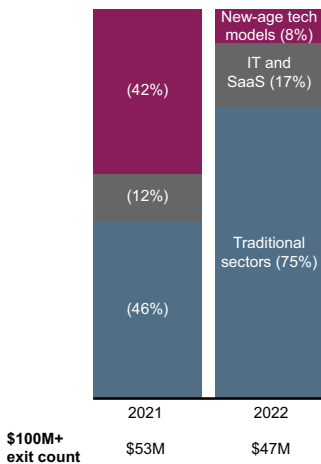
Change in exit value by sector (\$B)



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

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

Sector split of \$100M+ exits



Overview of top 15 exits in 2022

Growth in average exit size (2021-22)	Company	Sector	Lead exiting fund	Exit value	Quarter	Mode of exit
-84%	Max Healthcare	Healthcare	KKR	~\$1,620M	Q1, Q3	Public market sale
	Sprng Energy	Energy	Actis Capital	~\$1,550M	Q3	Strategic sale
	Neelachal Ispat	Manufacturing	MMTC	~\$1,547M	Q3	Strategic sale
-23%	ASK Group	BFSI	Advent International	~\$1,000M	Q1	Secondary sale
	CitiusTech	IT/ITeS	Baring Private Equity	~\$960M	Q2	Secondary sale
-12%	Kotak Mahindra Bank	BFSI	CPP Investments	~\$893M	Q1	Public market sale
	IGT Solutions	IT/ITeS	AION Capital	~\$810M	Q2	Secondary sale
	Sona BLW	Manufacturing	Blackstone	~\$508M	Q3	Public market sale
	Mu Sigma	IT/ITeS	General Atlantic	~\$501M	Q2	Buyback
	IIFL Wealth Mgmt.	BFSI	Fairfax Financial	~\$482M	Q2	Secondary sale
	Vedant Fashions (Manyavar)	Consumer/Retail	Kedaara Capital	~\$421M	Q1	IPO
	ReNew Power	Energy	Goldman Sachs	~\$400M	Q4	Secondary sale
	Navayuga Quazigund Expressway	Engineering and Construction	Navayuga Group	~\$380M	Q3	Strategic sale
	Coforge	IT/ITeS	Baring Private Equity	~\$335M	Q1	Public market sale
	Sahyadri Hospitals	Healthcare	Everstone Capital	~\$314M	Q3	Secondary sale

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



Sectors in focus: BFSI and healthcare

► BFSI

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

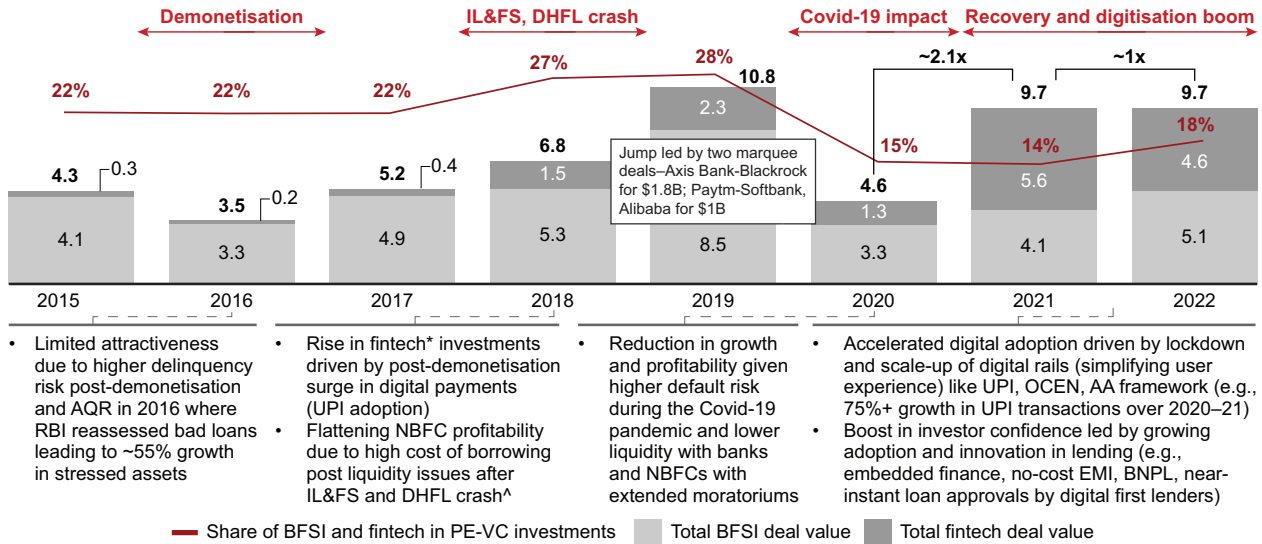
▶ Healthcare

- 2022 was a year for marquee healthcare exits, which expanded to about 16% of India's exit value at \$3.5 billion, despite forming just about 8% of total PE-VC investments. Of this, nearly 85% of exits were driven by health providers across public market exits, IPOs and secondary sales.
- Large exits were dominated by KKR-Max Healthcare exit of \$1.6 billion, Everstone's exit from Sahyadri Hospitals, and the IPOs of Medanta and Rainbow Hospitals.
- Healthcare provider exits returned in 2022 after previous exit cycles in 2015–2016 and 2019, with high volume of exits at increased multiples. The median MOIC stayed above three in a year that saw large multi-specialty provider exits on the back of strong value creation initiatives.
- Large multi-specialty players are leaning on both greenfield (Tier 2 penetration) and brownfield expansion (bed capacity augmentation, consolidation with other players) to increase scale. Further, patient revenue growth has been driven by the resurgence of elective procedures post-pandemic, deeper service mix with a focus on creating centers of excellence at the sub-specialty level, bolstering of ancillary revenue streams, and expansion of digital channels.
- Cost reduction measures undertaken during the height of the Covid-19 pandemic, such as changes in doctor compensation models, reduction in material cost, and tech integrations, have led to significantly improved EBITDA margins for market leaders.
- Pharma saw lower deal traction this year but is expected to flex strength, amidst global sourcing diversification pivots from China, regulatory support with India's National Biopharma Mission, anticipated expiration of patents, and deepening talent in India's Pharma ecosystem.

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

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

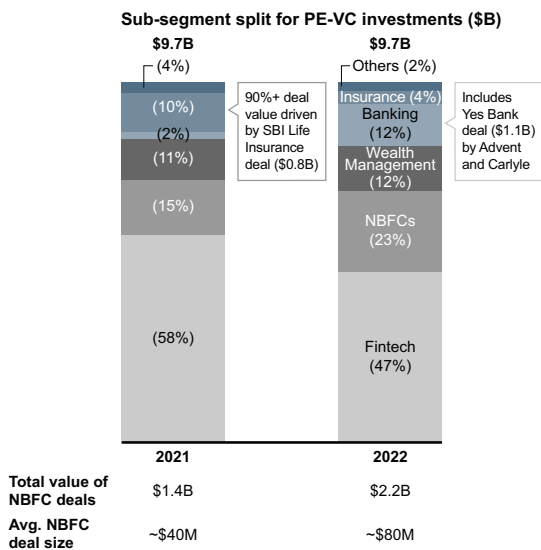


- Limited attractiveness due to higher delinquency risk post-demonetisation and AQR in 2016 where RBI reassessed bad loans leading to ~55% growth in stressed assets
- Rise in fintech* investments driven by post-demonetisation surge in digital payments (UPI adoption)
- Flattening NBFC profitability due to high cost of borrowing post liquidity issues after IL&FS and DHFL crash^
- Reduction in growth and profitability given higher default risk during the Covid-19 pandemic and lower liquidity with banks and NBFCs with extended moratoriums
- Accelerated digital adoption driven by lockdown and scale-up of digital rails (simplifying user experience) like UPI, OCEN, AA framework (e.g., 75%+ growth in UPI transactions over 2020–21)
- Boost in investor confidence led by growing adoption and innovation in lending (e.g., embedded finance, no-cost EMI, BNPL, near-instant loan approvals by digital first lenders)

Notes: (*) Fintech sector includes payment gateways, aggregators, lending platforms, and neobanks; (**) IL&FS and DHFL defaulted on their debt obligations in Q2 2018, leading to a liquidity and solvency crisis in NBFC sector; AA: Account-to-account; AQR: Asset Quality Review; Embedded finance: adding a financial product to a website not run by a financial company; BNPL: Buy Now, Pay Later; Jio and Reliance Retail deals (\$27B) in 2020 and RE/infra deals excluded
Sources: Bain & Company; RBI

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

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



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

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

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

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

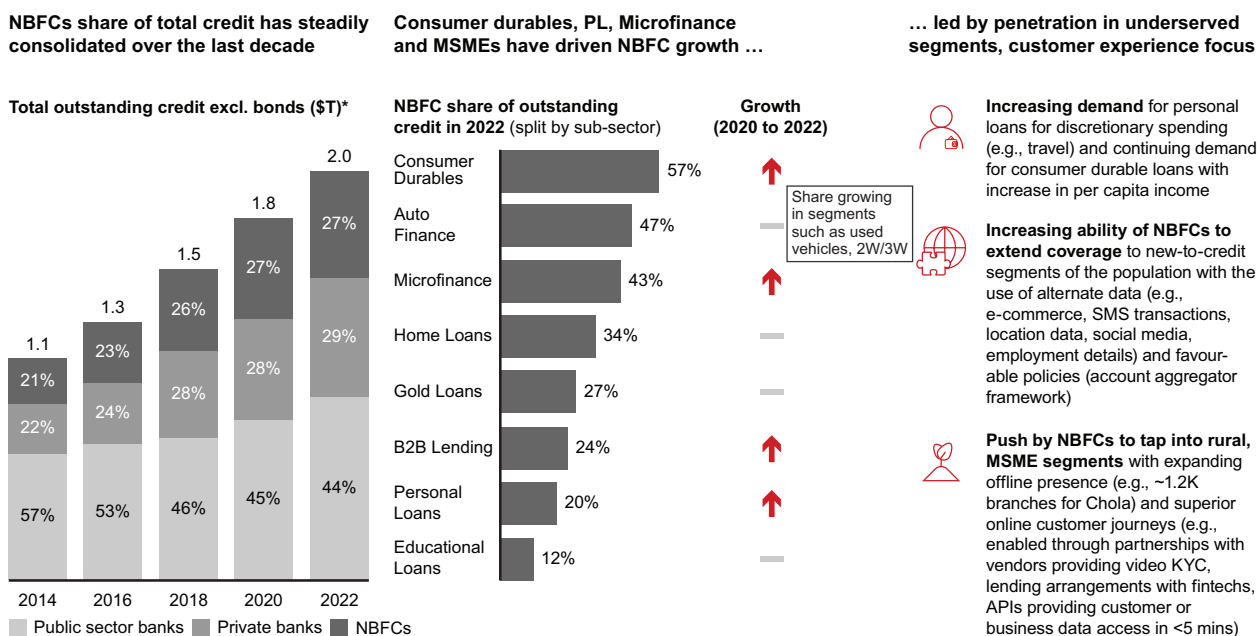
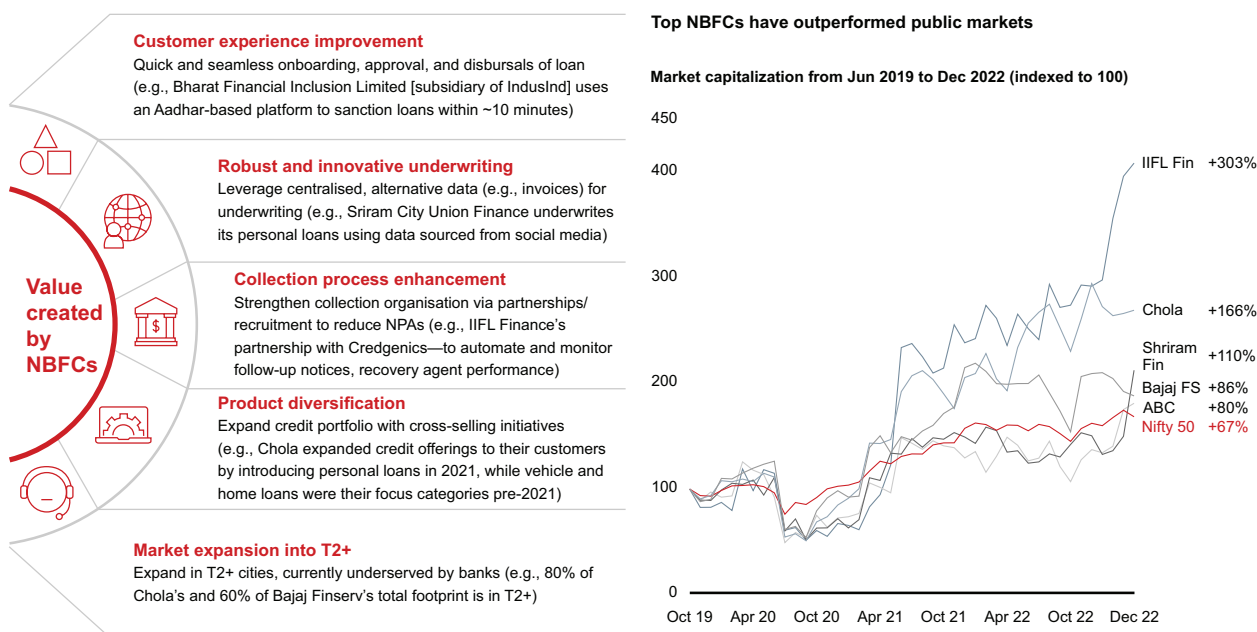


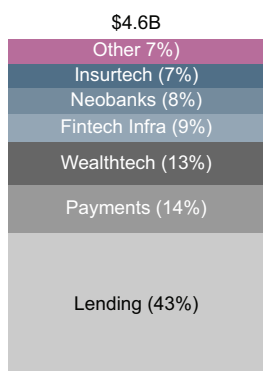
Figure 12c: NBFCs have driven value creation across several themes, evident in their market performance



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

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



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

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

Key drivers of deal flow

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

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

Credit via nonbank PPI instruments halted
impacting business models for neocards players

New digital lending guidelines increased compliance burden
(e.g., loan pool account restrictions, mandatory disclosures)

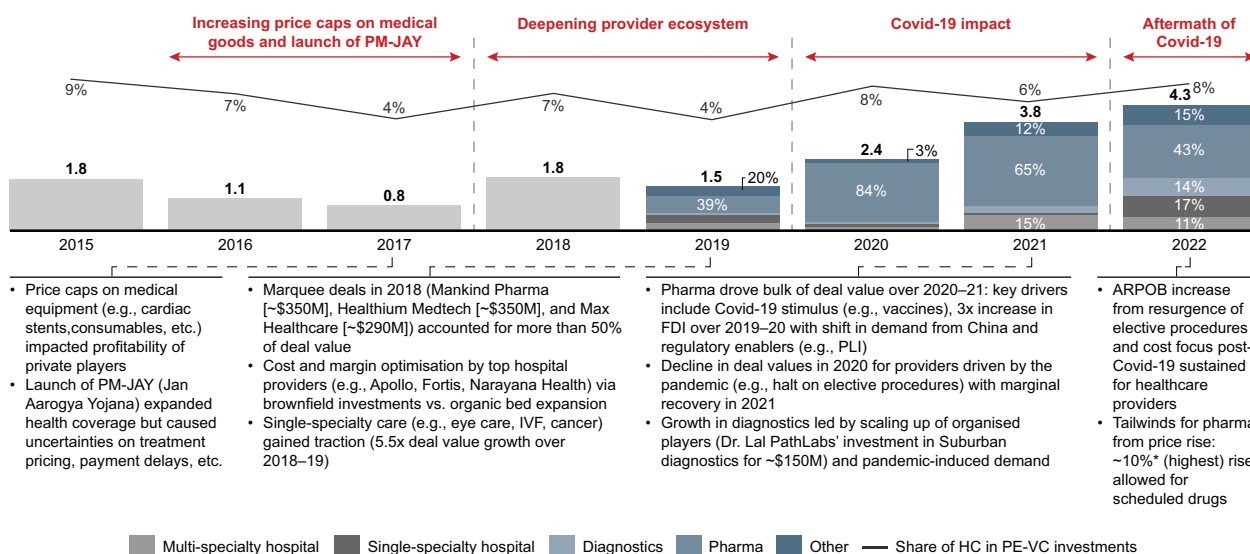
Delay in NUE licenses
citing limited innovation in the current proposal

However, global scale-up of UPI and expansion of AA framework
to continue to foster innovation within fintech

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

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

PE-VC investments in healthcare (\$B)



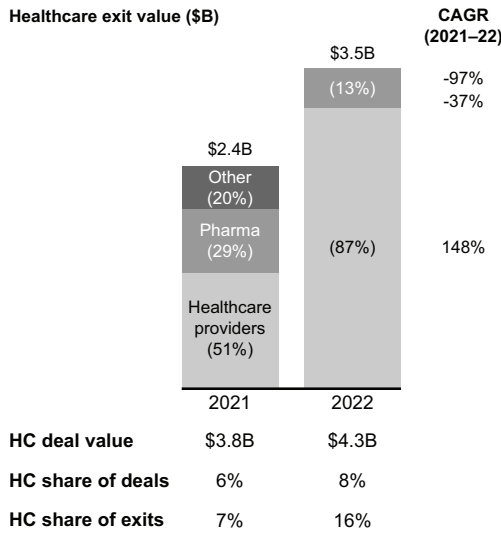
- Price caps on medical equipment (e.g., cardiac stents, consumables, etc.) impacted profitability of private players
- Launch of PM-JAY (Jan Aarogya Yojana) expanded health coverage but caused uncertainties on treatment pricing, payment delays, etc.
- Marquee deals in 2018 (Mankind Pharma [~\$350M], Healthium Medtech [~\$350M], and Max Healthcare [~\$290M]) accounted for more than 50% of deal value
- Cost and margin optimisation by top hospital providers (e.g., Apollo, Fortis, Narayana Health) via brownfield investments vs. organic bed expansion
- Single-specialty care (e.g., eye care, IVF, cancer) gained traction (5.5x deal value growth over 2018–19)
- Pharma drove bulk of deal value over 2020–21: key drivers include Covid-19 stimulus (e.g., vaccines), 3x increase in FDI over 2019–20 with shift in demand from China and regulatory enablers (e.g., PLI)
- Decline in deal values in 2020 for providers driven by the pandemic (e.g., halt on elective procedures) with marginal recovery in 2021
- Growth in diagnostics led by scaling up of organised players (Dr. Lal PathLabs' investment in Suburban diagnostics for ~\$150M) and pandemic-induced demand
- ARPOB increase from resurgence of elective procedures and cost focus post-Covid-19 sustained for healthcare providers
- Tailwinds for pharma from price rise: ~10%* (highest) rise allowed for scheduled drugs

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

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

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



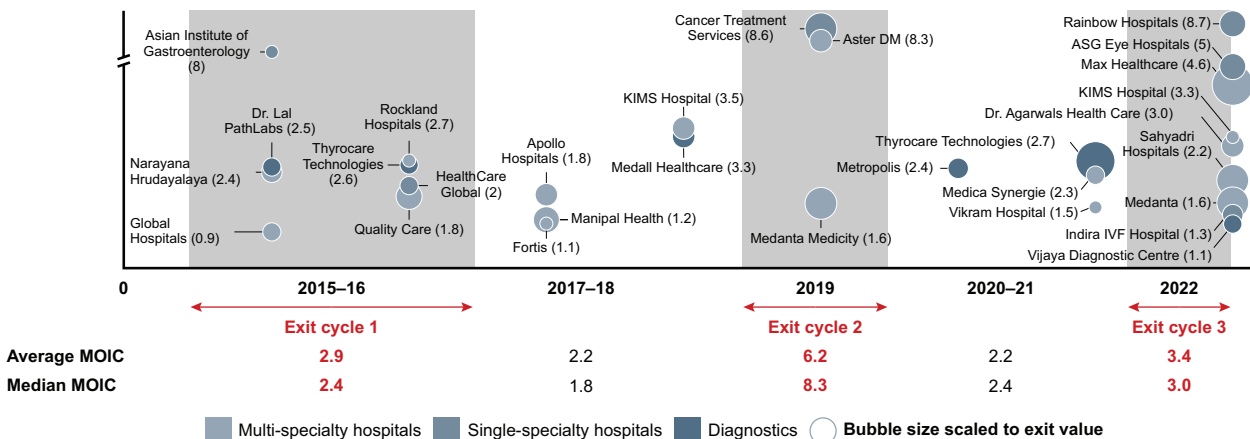
Top 10 healthcare exits in 2022

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

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

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

Multiples on invested capital for exits



Cyclicality is led by EBITDA peaking in exit cycles

High utilisation typically achieved after 2-3 years of investment made in the capacity

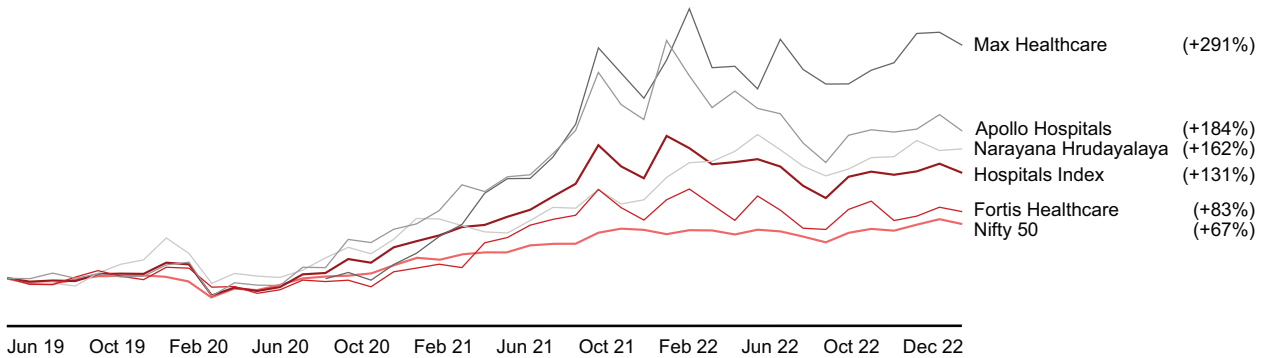
ARPOB increase and cost rationalisation over Covid-19 contributed to 2022 peak

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

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

Market capitalisation of hospital players
(indexed to 100)



Value creation initiatives across healthcare providers

Scale expansion via facility/bed addition, M&A led micro-market-share gain and T2+ penetration

Patient revenue growth via deeper service mix, alternate revenue streams (e.g., pharma) and channel expansion (e.g., digital)

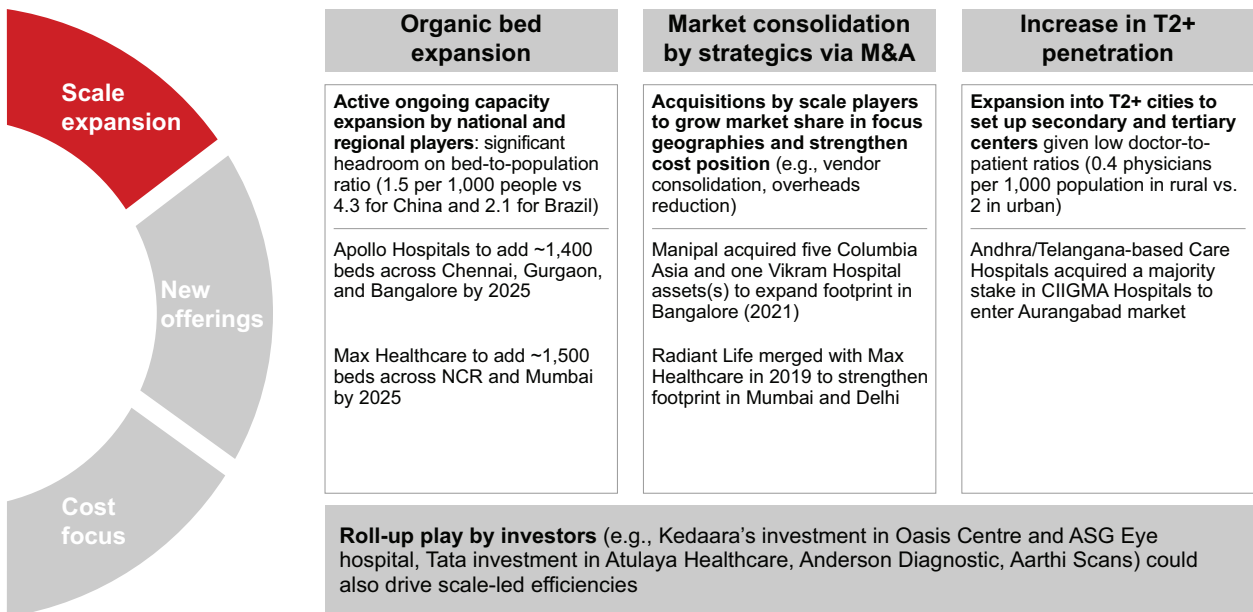
Cost reduction via streamlined compensation model, material cost reduction, and digitisation

Macro tailwinds

Pandemic-led growth in profitability (e.g., steady patient flow, sustained cost rationalisation like variable doctor fee)

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

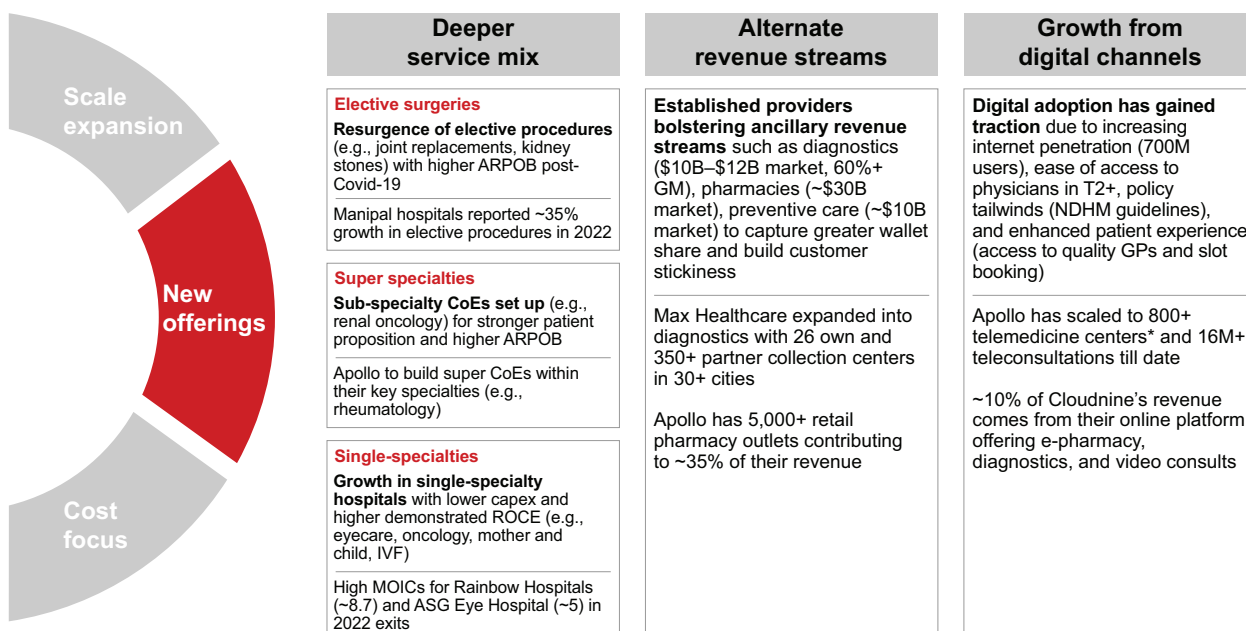
Figure 18a: 2022 saw sustained focus on organic and inorganic scale expansion across healthcare providers



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

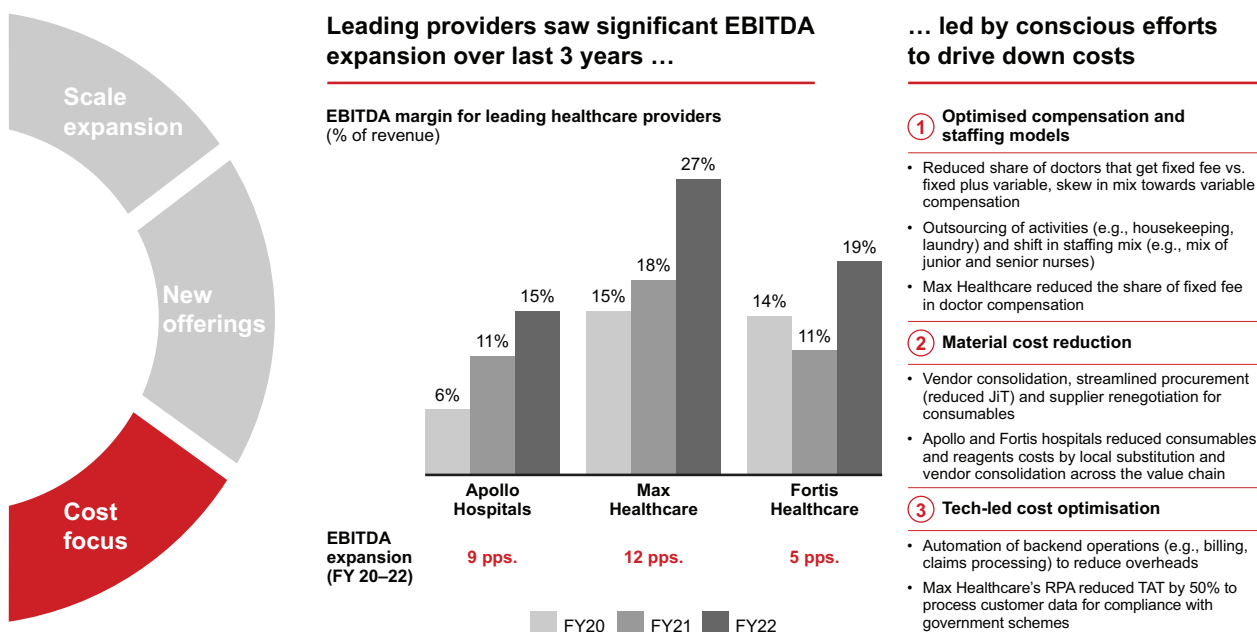
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Figure 18b: Continued efforts at patient revenue growth via new offerings during and after the pandemic have propelled growth for providers



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

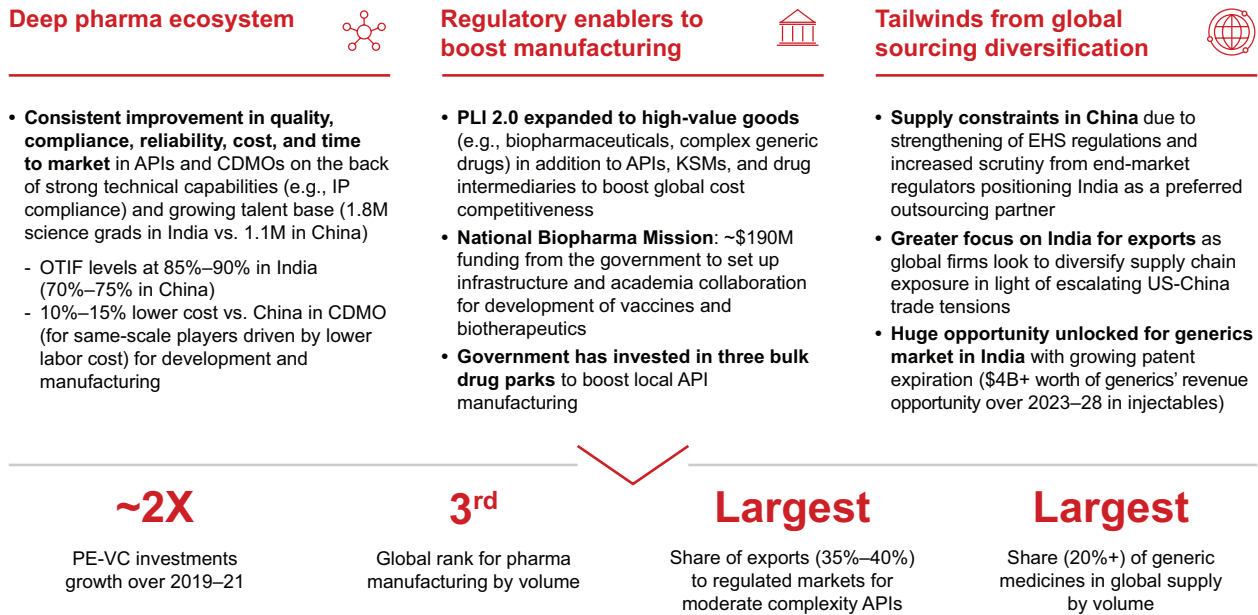
Figure 18c: Providers are driving focus on better cost management to sustain margin upsides achieved during Covid-19



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

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



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

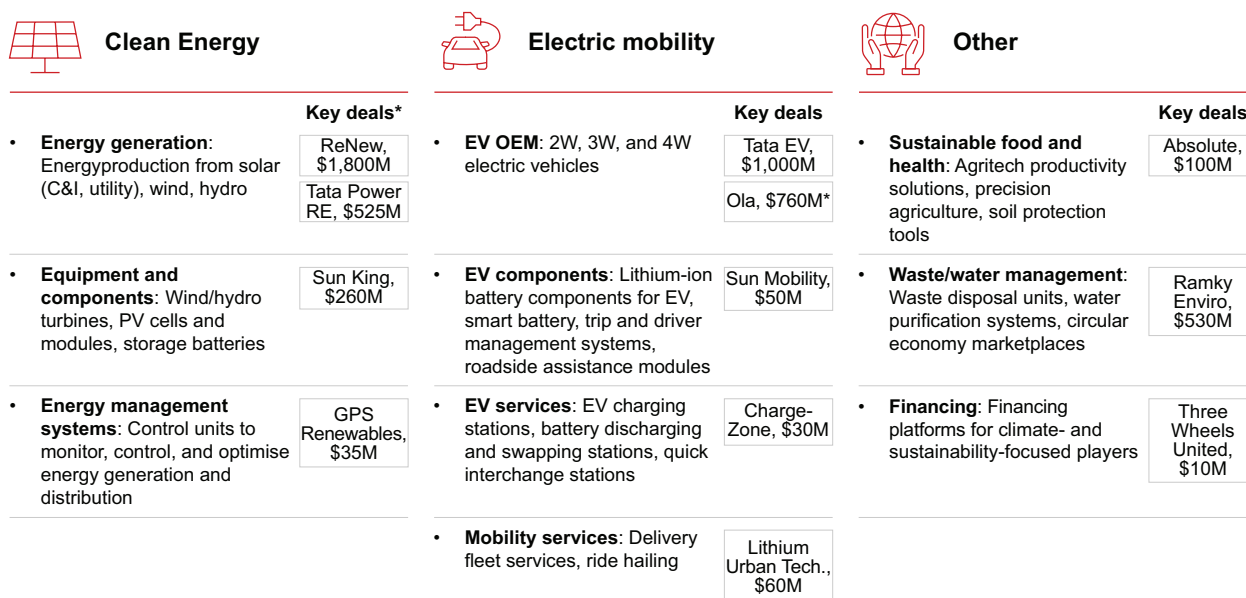


ESG: Moving from mind-share to wallet-share

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

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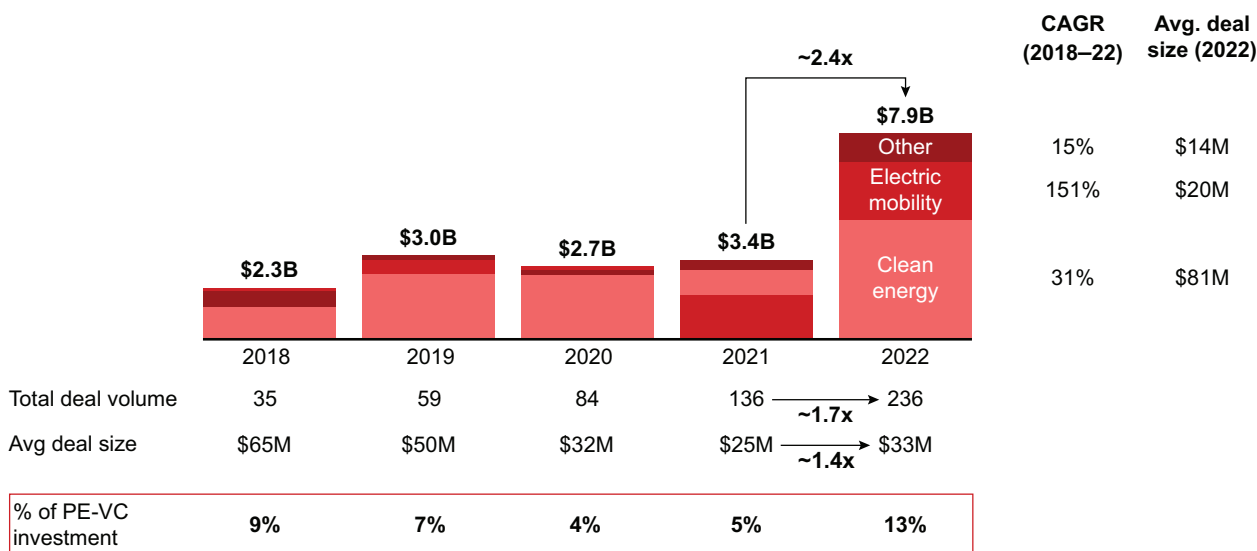
Figure 20: Environmental, social, and governance investing is across three key themes: clean energy and electric mobility are the most salient



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

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

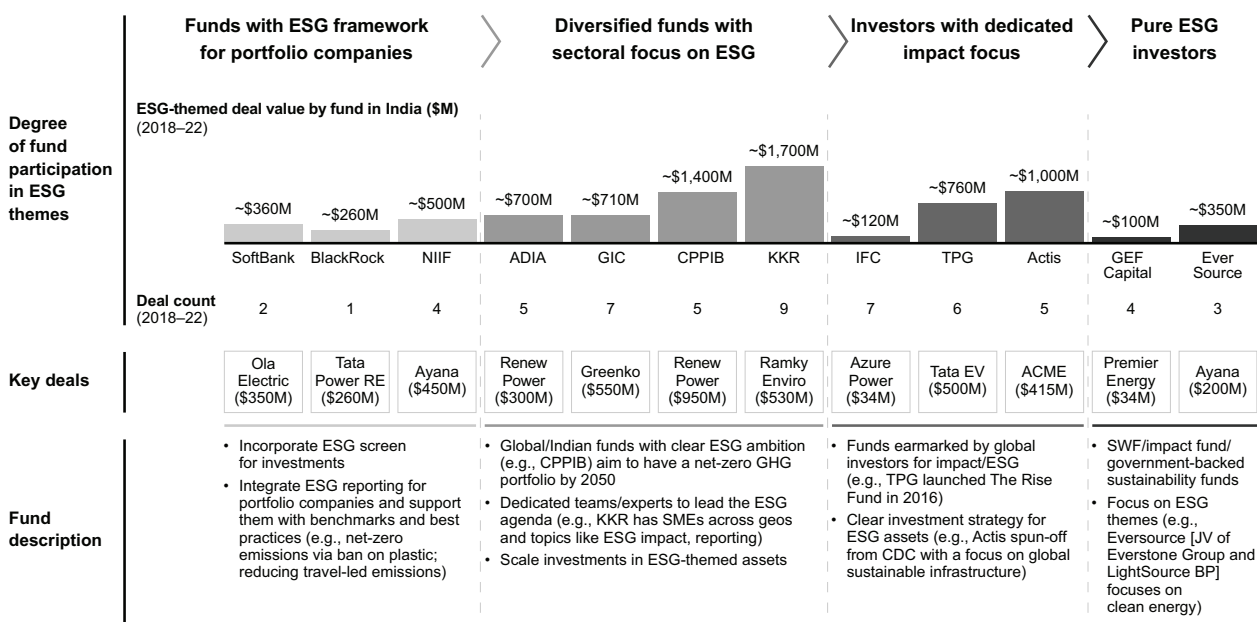
ESG-themed deal value in \$B (2018–22)
(split by segment)



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

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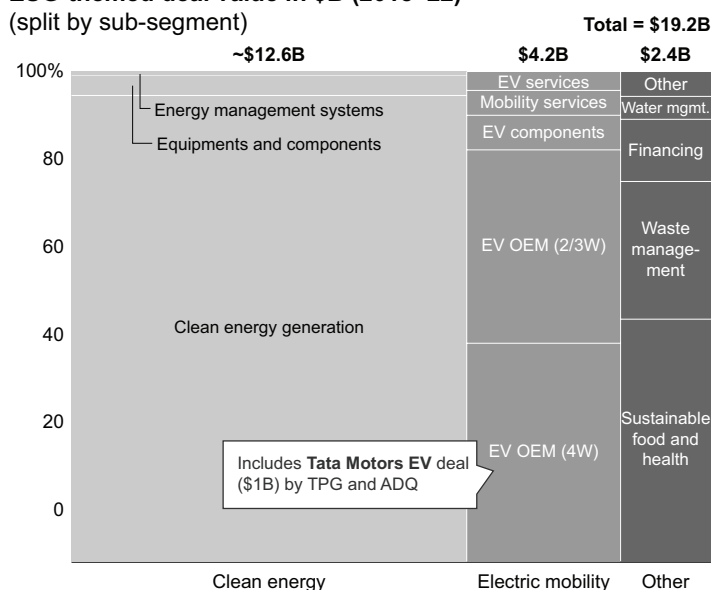
Figure 22: Depth of ESG integration with investment philosophy varies across funds with material deal activity across all types



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

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

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



Key growth drivers

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

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

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

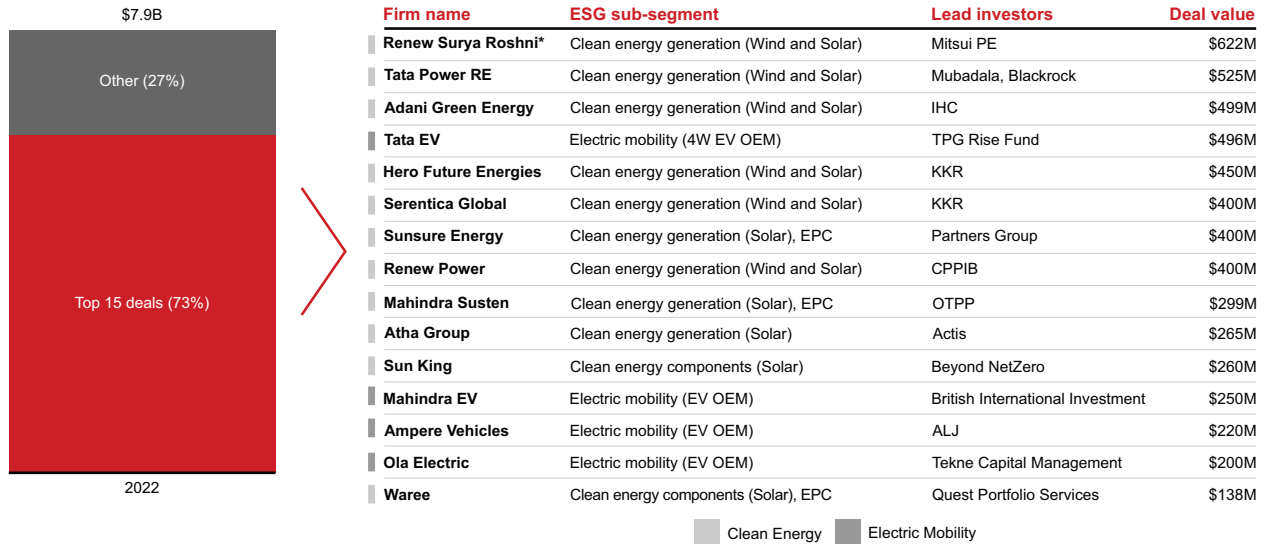
- Lower TCO for EV in 2W/3W as compared to ICE without government subsidies^ (rising fuel cost, BSVI adding to cost for ICE)
- Policy incentives such as FAME II, PLI-led subsidies, further reducing on-road cost
- Battery-swapping models enabling scalability of EV (e.g., delivery fleet use cases)

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

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

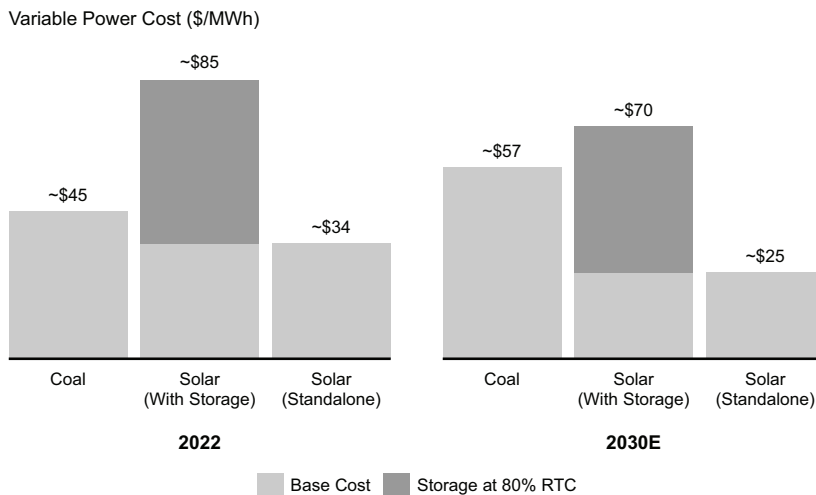
ESG-themed deal value (\$B)



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

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

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



Drivers of cost improvement

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

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

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

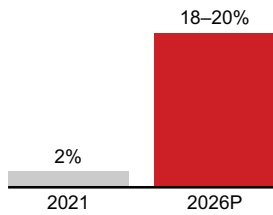
Notes: Coal: premium on FY20 prices used given significantly elevated coal prices in 2022; Solar (With Storage): Based on battery required to enable ~80% RTC; Power Cost Conversion: INR 1/kWh = \$12.7/MWh (assuming 1 USD = 78.65 INR average 2022 exchange rate per RBI); DISCOM: Distribution Company; (*)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

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

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

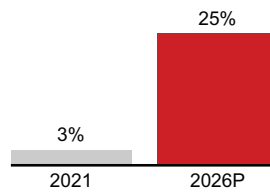
E2W penetration from 2021–2026P (%)



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

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

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



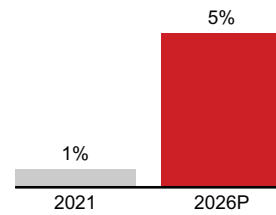
Penetration (incl. e-rickshaws)

42% 60%

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

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

E4W penetration from 2021–2026P (%)

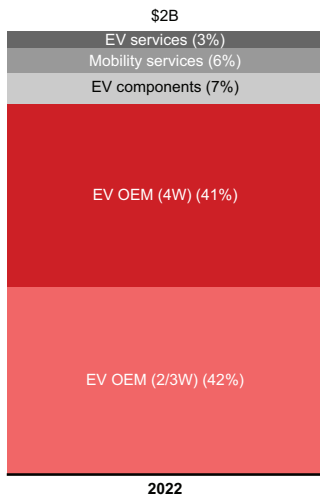


Penetration to deepen in SUVs due to favourable on-road price (lower differential vs. ICE, cars have higher differential) and supply-side preference due to convenience of manufacturing (space for large batteries)

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

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

Electric mobility-themed deal value (\$B)



Key electric mobility deals across sub-segments

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

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

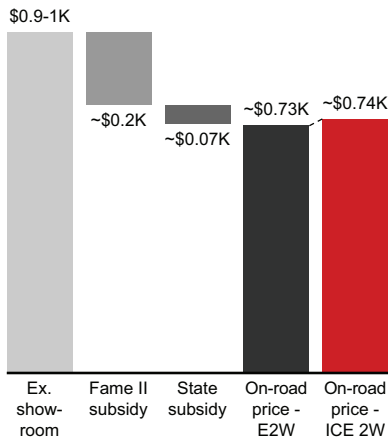
Sources: Bain & Company; Tracxn; Pitchbook; Dealogic

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

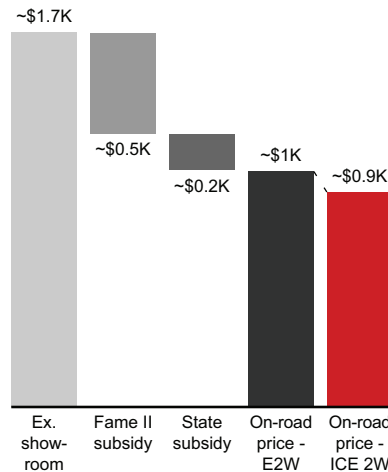
Entry tier (<\$1K) lower than ICE

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



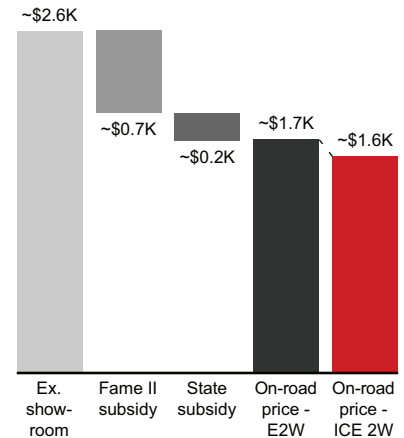
Middle tier (\$1K–\$1.5K) higher than ICE

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



Top tier (>\$1.5K) comparable to ICE

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

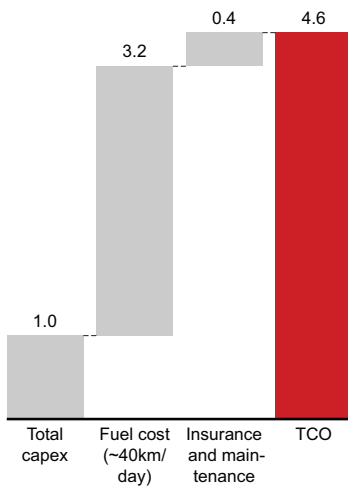


Notes: Entry Tier: Hero Electric Optima CX (Single Battery) vs. TVS Scooty Pep Plus; Middle Tier: Ola S1 vs. Honda Activa 6G STD; Top Tier: Ather 450X vs. Vespa VXL 125
Sources: Market participant interviews; secondary research

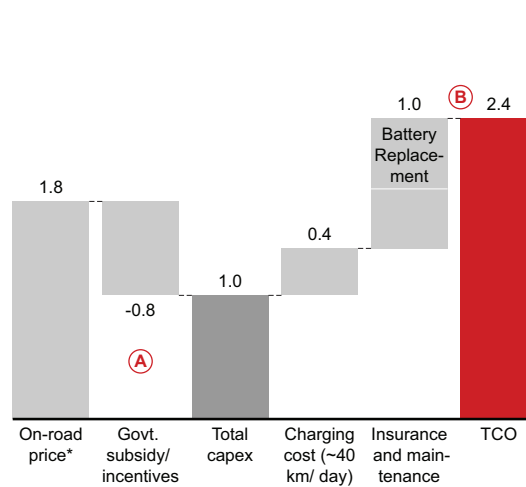
Figure 25d: However, overall TCO for E2W is lower than ICE boosted by favourable policies and technological advances

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

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



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








Drivers of favourable TCO

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

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

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

 Product (performance/pricing)	 Supply chain and innovation	 Distribution and network	 Customer feedback/brand perception	 Talent
<ul style="list-style-type: none"> • What are the key features (top speed, range, battery capacity, warranty) and pricing (upfront, TCO) of models in the market? • What is the product roadmap? Which segments is the firm doubling down on? Are these segments expected to grow? • How do these models compare with ICE counterparts on upfront capex/TCO? 	<ul style="list-style-type: none"> • What is the supply chain strategy with respect to cells, battery assembly, and BMS? • What actions is the firm taking to scale effectively? • What are current and future manufacturing plans? • How likely is the firm to meet these targets/scale? 	<ul style="list-style-type: none"> • What is the current core dealer network? • What are the expansion plans with regards to distribution? Is the firm able to leverage an existing ICE network—especially critical for after-sales service? • What is the feedback from dealers on EV models? • What are the key charging/swapping/financing partnerships? 	<ul style="list-style-type: none"> • What is the user experience perception from customers/key influencers (comfort, tech features, styling)? • What is customer feedback on KPCs, NPS, and key drivers? • How is the recent performance on product reliability and impact on customer perception/sales? 	<ul style="list-style-type: none"> • Are there any talent/resourcing constraints especially on BMS, battery manufacturing? • What is the recent employee feedback? Are there any recent attrition risks? • What is the quality of talent?

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

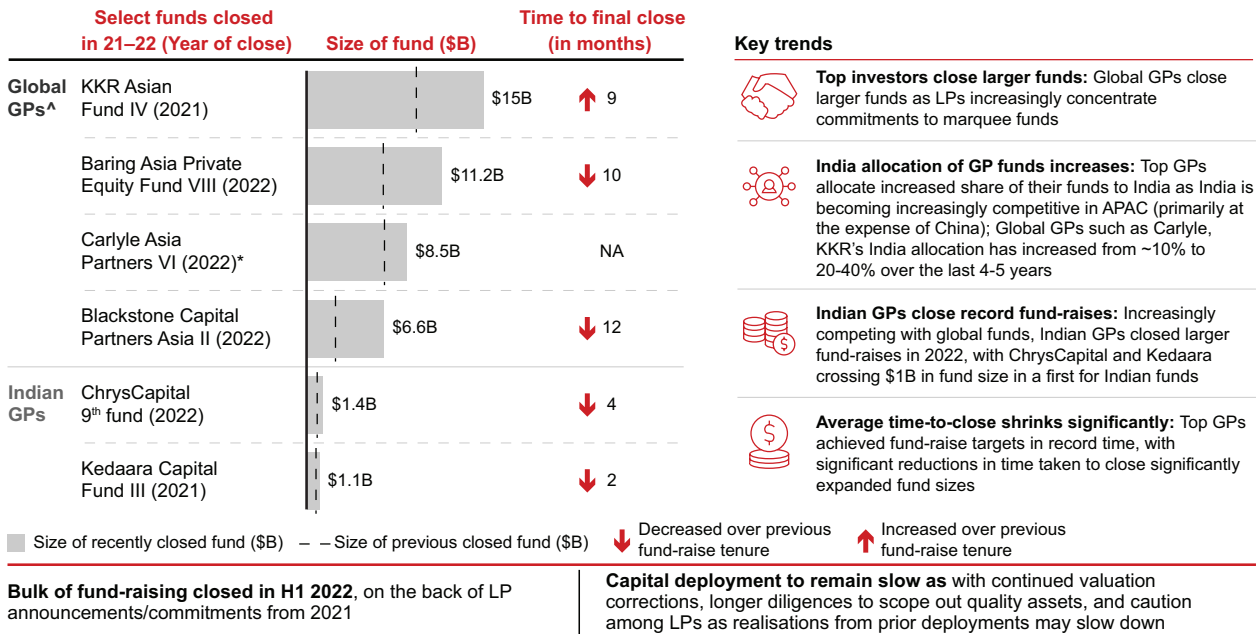
A candlestick chart with green and red bars, overlaid with blue trend lines, set against a dark background. The chart shows an overall upward trend with some volatility.

The investor perspective: Resilience with an eye on wins

- ▶ Top global and Indian investors expanded their presence in India in 2022 with larger fund-raises, increased India allocations and faster closes riding on the momentum of 2021. Leading Indian GPs such as Kedaara Capital and ChrysCapital crossed \$1 billion in fund sizes and global funds are allocating increasing share of Asia-Pacific-focused funds towards India.
- ▶ Further, an increased play by LPs and SWFs has been witnessed as LPs shift from co-invest towards solo deals with an approximately tripled increase in solo deal volumes since 2020. LPs closed more than 30 solo deals valued at \$6 billion in 2022, growing from \$2 billion in 2021.
- ▶ Investors also accelerated sector diversification this year—average sector spread for top investors increased from about 3 in 2021 to about 5 in 2022. More funds are expanding into traditional sectors like healthcare, BFSI, energy, and manufacturing, bucking a trend between 2018 and 2021 where sector expansion was led by tech sectors.
- ▶ Despite an abundance of dry powder, the changing sentiment through the year has driven a fundamental change in the investment approach. Investors are consolidating focus on fewer, higher-quality assets and driving value creation within their portfolios with a dedicated push towards profitability.

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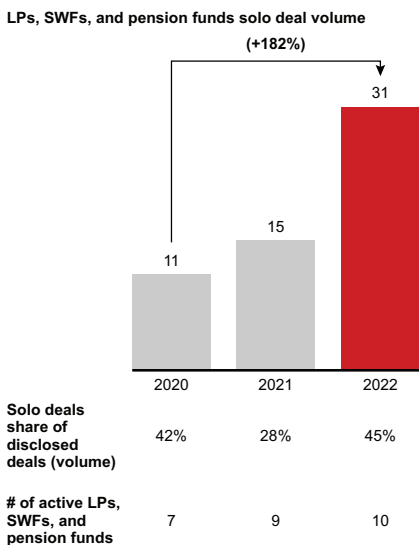
Figure 26: Multiple investors surpass previous fund-raises in record time, but capital deployment to remain cautious



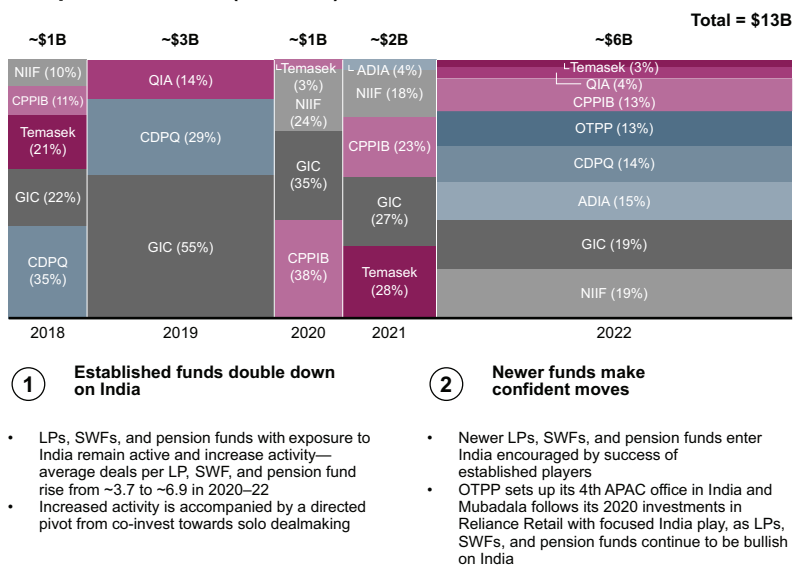
Notes: (*) Carlyle Asia Partners VI is ongoing with a target of \$8.5B; (*) Fund-raising data for Global GPs pertains to APAC-focused funds; NA: Not applicable
Sources: Bain & Company; Venture Intelligence; AVCJ

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

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



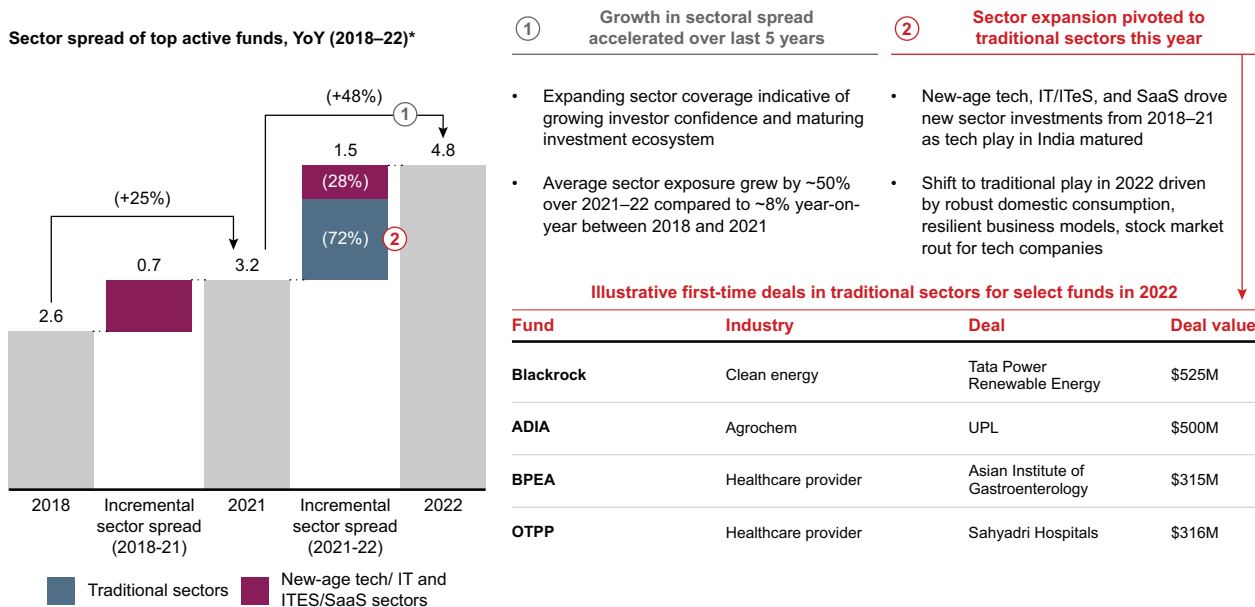
Solo deal value by major LPs, SWFs, and pension funds (2018–22)



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

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



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

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

Investors are revisiting their approach to new deals ...

... and rejigging portfolios with an eye on exits

Spotlight on assets with demonstrated quality	Longer deal processes	Tempering of valuations	Pivot to value creation and profitable growth	Preserving valuations with an eye on exit
<p>Assets with clear path to profitability become significantly more attractive, commanding a premium over growth-focused assets riding on cash burn in the near term</p> <p><i>"Assets with marquee market dominance and clear moats, and clear roads to profitability command a premium in the current market."</i></p>	<p>Deal cycles become longer as funders and founders diverge on valuation expectations—pressures of down rounds bring in diversity in deal types, with structured deals picking pace</p> <p><i>"Dealmaking process has become longer this year, taking longer than 2–3 months—it is harder to find alignment on valuations."</i></p>	<p>As consumer tech models struggle in the public markets, valuations have tempered as investors use public market benchmarks for multiples, accompanied by a move towards EBITDA-driven valuations</p> <p><i>"It will be hard to justify 2021 valuations given the questions raised by public markets on the road to profitability—valuation compression is here to stay."</i></p>	<p>Funds shift focus towards profitable growth against accelerated growth at all costs—value creation as portfolio teams become increasingly important amidst slowing growth and global uncertainties</p> <p><i>"As exit markets slow down, there will be a deeper focus on value creation with our portfolio companies, led by our senior advisors and ops teams—we come in with a focus on transformation."</i></p>	<p>Investors with impacted portfolios willing to exit at deeper discounts, while founders look to secure runway and preserve valuations through smaller primary rounds and structured deals</p> <p><i>"We are incorporating effects of public market corrections to our portfolio and are willing to exit at a discounted valuation over 2021, where we entered early."</i></p>

Source: Bain & Company

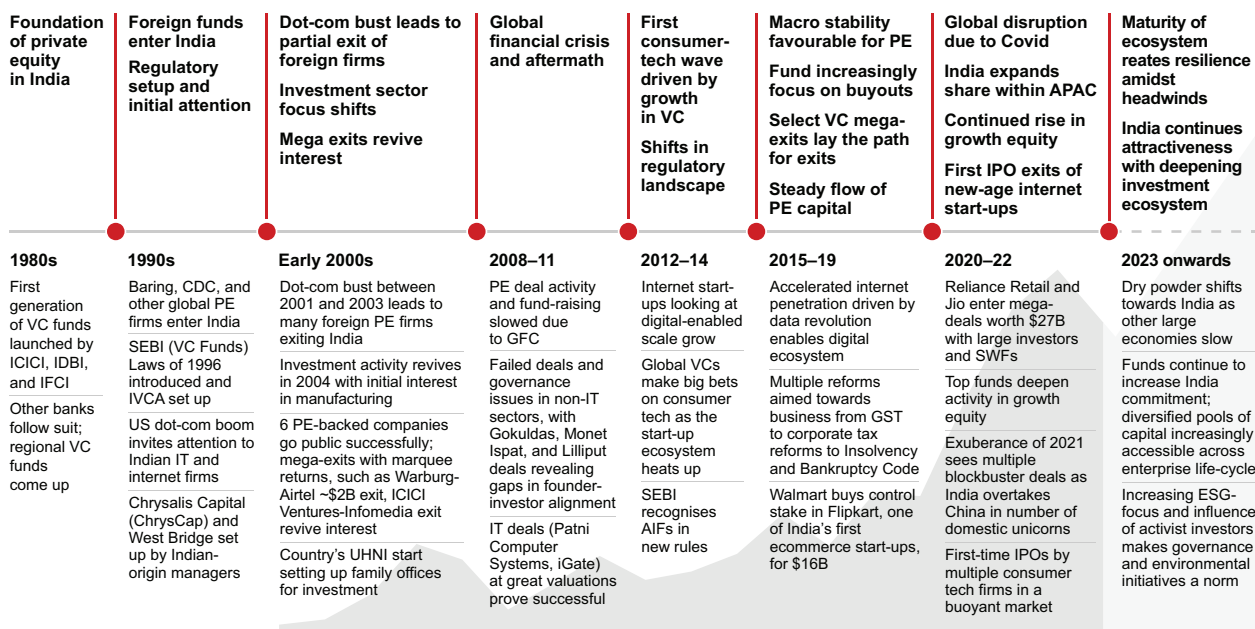


Looking back to look ahead: India's accelerating flywheel

- ▶ From its foundation in the 1980s to a growing and resilient investment ecosystem today, private equity in India has burgeoned, especially in the last decade. The investor base has expanded from about 200 to more than 800 active investors, and there has been an expansion and diversification in pools of available capital and an acceleration in India-focused capital. These shifts are complemented by growing founder and talent experience, favourable shifts in the regulatory landscape, and supporting digital infrastructure which has helped boost innovation.
- ▶ Investors with depth in India exposure have witnessed tremendous growth in exit opportunities, with secondary and strategic sales markets growing manifold. Since the 2010s, many high-quality assets with specialised play have enabled value capture of 10x to 20x for multiple investors across investment cycles.
- ▶ While funds are cautious about 2023, they have started looking deeper at the Indian opportunity—with an expanded focus towards sectors that are expected to capitalise on our growing domestic consumption, manufacturing sectors which are expected to benefit from China + 1 tailwinds, and continued investment in India for global tech services and SaaS firms.
- ▶ A shift in the shape of deal flow is anticipated, with a drawdown in the number of mega (\$1B+) deals, an increased interest in take-privates and corporate carve-outs, and efforts towards designing a path to profitability for portfolio companies, even as the pace of deal activity thins out.

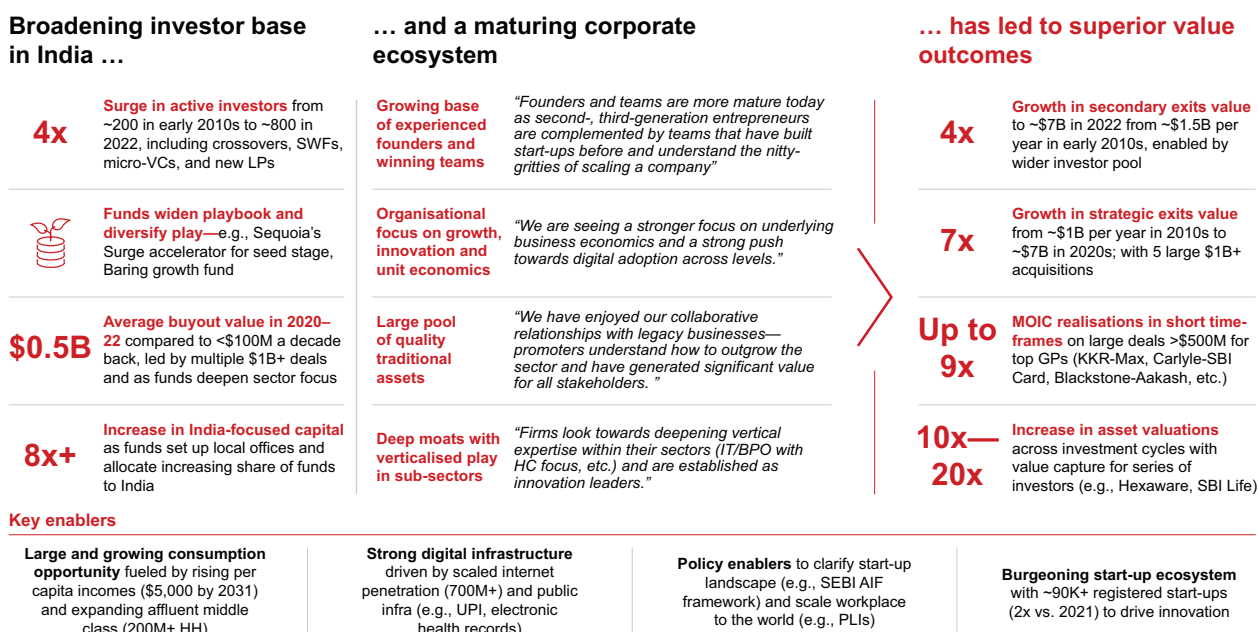
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Figure 30: Private equity in India has come a long way and is set to further consolidate gains



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

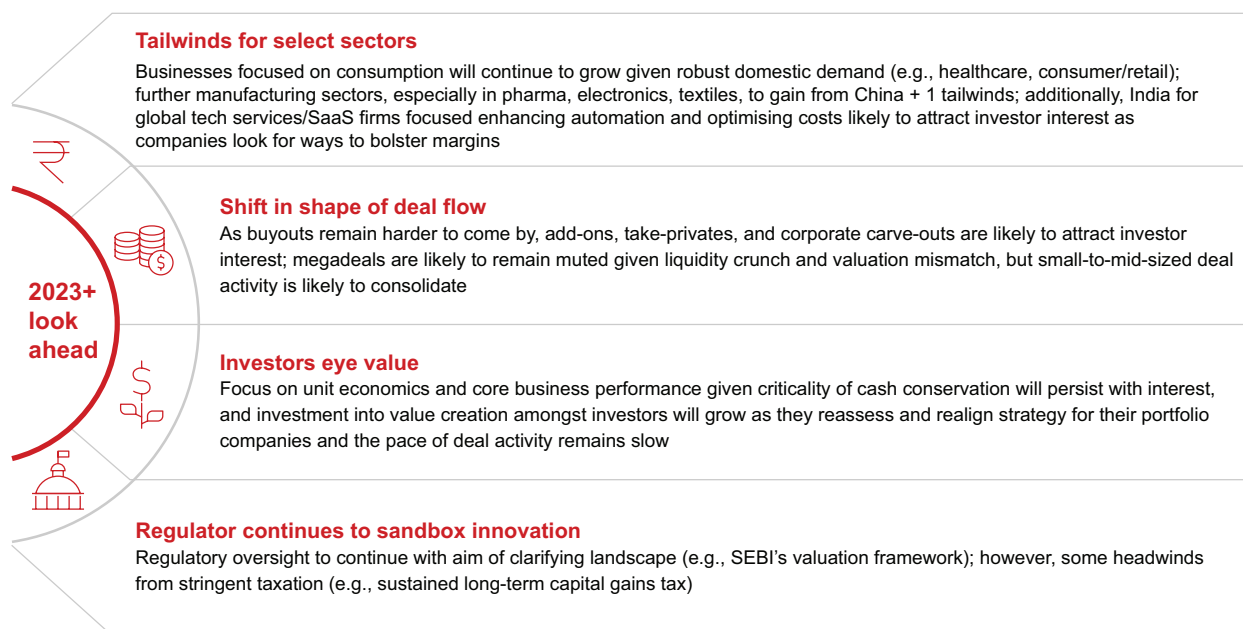
Figure 31: Superior value delivered by the investment ecosystem has been enabled by founders, investors, and talent coming together to build remarkable global assets



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

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



Source: Bain & Company



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