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IVCA-EY PE/ VC Roundup - August 2022

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Foreword and outlook



Vivek Soni

Partner and National Leader
Private Equity Services, EY India

“

August 2022 recorded US\$2.2 billion in PE/VC investments, 80% lower than the investments in August 2021. After remaining resilient for almost seven months amid global headwinds of tightening liquidity and rising inflation, Indian PE/VC investment flows for the first time have shown tepidness, reaching a nineteen-month low. Investors are being more circumspect in making investment decisions and taking longer to close deals as the competitive pressures witnessed in the previous year have ebbed and the cost of capital has gone up.

“

All deal segments recorded sharp declines on a y-o-y basis, in the range of 70%-90%, primarily due to the absence of large deals. August 2022 recorded just five large deals (deals of value greater than or equal to US\$100 million) aggregating US\$972 million, compared to 18 large deals worth US\$9.2 billion in August 2021 and seven deals worth US\$3.3 billion in July 2022.

“

However, PE/VC exits had a strong showing in August 2022, recording its best performance this year with 25 exits worth US\$3.1 billion, a significant improvement over the previous month that recorded US\$322 million across nine deals, on the back of a few large open market exits that saw KKR sell its 28% stake in Max Health for US\$1.2 billion and Blackstone sell its 14% stake in Sona BLW for US\$509 million.

“

Most sectors recorded a sharp decline in PE/VC investments in August 2022. The healthcare sector, however, bucked the trend to record a y-o-y increase of 485% in PE/VC investments. The healthcare sector in India has grown in favour among PE/VC funds in recent years, receiving almost US\$9.5 billion in investments since 2017. The exit performance too has been good in this sector, with exits worth almost US\$5.3 billion in the same period.

“

India continues to be one of the strongest economies globally, recording 13.5% growth in 1Q of FY23 and also overtaking the UK to become the fifth largest economy in the world. This, amid fears of the US already being in a recession and Europe too being on the brink of one, strengthens India's case as an investment destination. Nonetheless, in the connected global economy, India is feeling pressure due to the falling rupee and rise in inflation. The rising cost of capital is making fundraising difficult for many businesses and only those with a strong growth pathway and sustainable unit economics are seeing investor interest. Further, with the FED hardening its hawkish stance, the global financial markets have retracted most of their recent gains, dampening investor sentiment. We expect PE/VC investment activity to remain sluggish in the near term till valuation expectations correct.



Agenda

1

Monthly trend analysis: August 2022

2

Spotlight: healthcare sector PE/VC deal trends

01

Monthly trend analysis:
August 2022

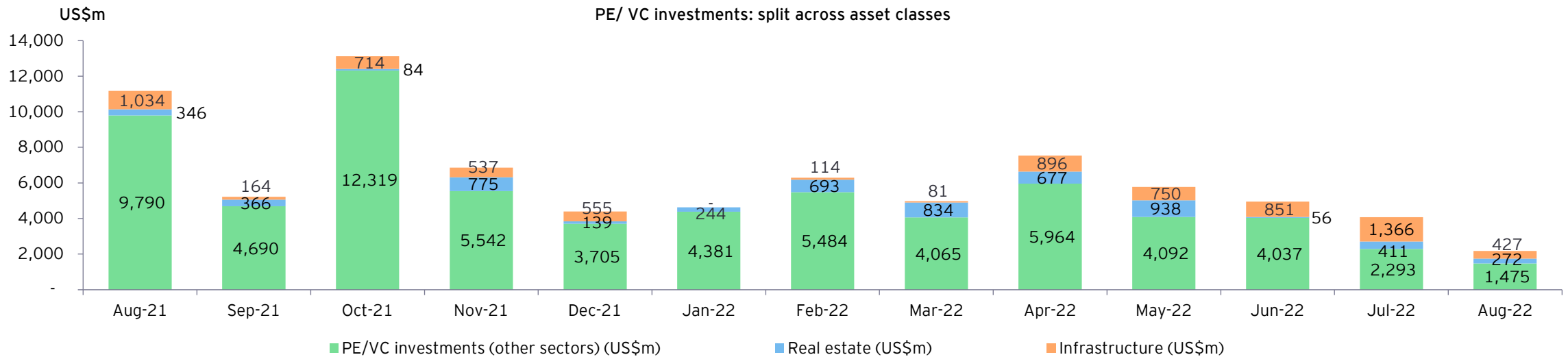
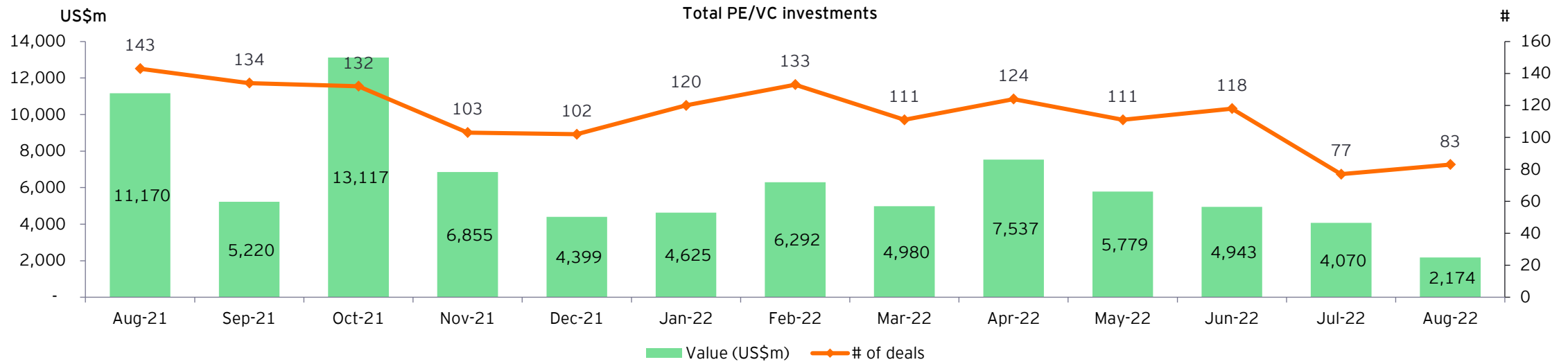


Key trends

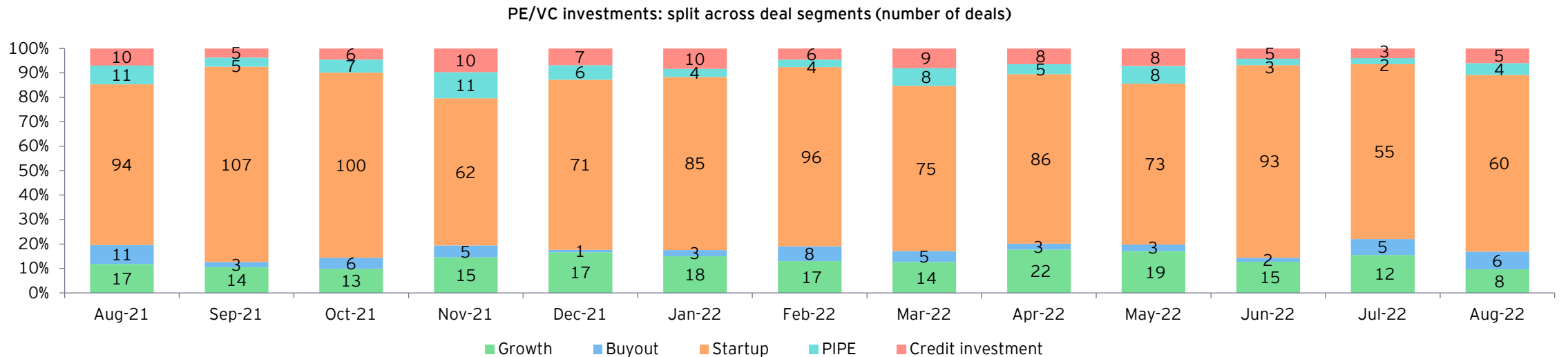
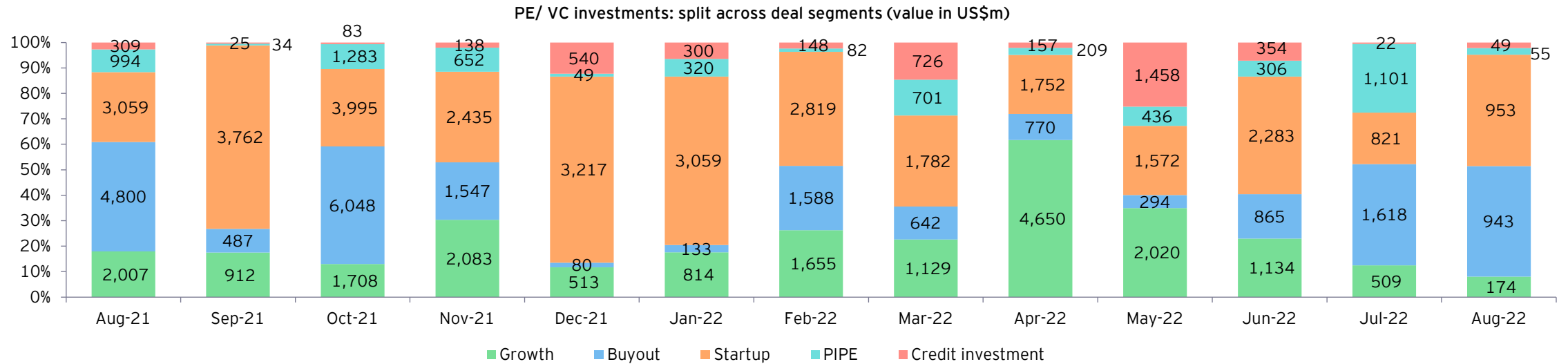


- ▶ At US\$2.2 billion, PE/ VC investments in August 2022 were the lowest in the past 19 months, 80% lower than the value recorded in August 2021 (US\$11.2 billion) and 46% lower than investments in July 2022 (US\$4.1 billion). In terms of the number of deals, August 2022 recorded 83 deals, 42% lower than August 2021 (143 deals) and 8% higher than deals in July 2022 (77 deals). The share of pure-play PE/VC investments (excluding real estate and infrastructure sectors) was also significantly lower on a y-o-y basis, at 68% in August 2022, compared to 88% in August 2021. The sharp drop in PE/VC investments in August 2022 was precipitated by the absence of large deals.
- ▶ August 2022 recorded just five large deals (deals of value greater than or equal to US\$100 million) aggregating US\$972 million, compared to 18 large deals worth US\$9.2 billion in August 2021 and seven deals worth US\$3.3 billion in July 2022. While all deals in August 2022 were sub-US\$500 million in value, August 2021 and July 2022 had six and two deals respectively, of over US\$500 million. OTTP's buyout of Sahyadri Hospitals Limited for ~US\$300 million and NIIF's buyout of SP Jammu-Udhampur Highway for US\$290 million were the largest deals in August 2022.
- ▶ By deal type, startup investments were the highest in August 2022, at US\$953 million across 60 deals (US\$3.1 billion in August 2021 across 94 deals), a 69% y-o-y decline. Buyouts were the second highest at US\$943 million across six deals (US\$4.8 billion across 11 deals in August 2021), an 80% y-o-y decline. Growth investments recorded the sharpest decline of them all at 91%, recording US\$174 million across eight deals (17 deals worth US\$1.0 billion in August 2021). Credit and PIPE (Private investments in public equity) investments recorded US\$49 million and US\$55 million respectively, each registering a decline of over 80% y-o-y.
- ▶ Most sectors recorded a decline in PE/VC investments, except the healthcare sector which received ~US\$427 million in investments across five deals (US\$73 million across nine deals in August 2021), an almost 6-fold y-o-y increase. The next biggest sector was the infrastructure sector with ~US\$427 million recorded across four deals (US\$1 billion across six deals in August 2021), followed by the financial services sector with 20 deals worth US\$385 million (33 deals worth US\$2.5 billion in August 2021) and the technology sector with US\$303 million invested across 18 deals (US\$2.7 billion across 14 deals in August 2021).

PE/ VC monthly headline trends: investments

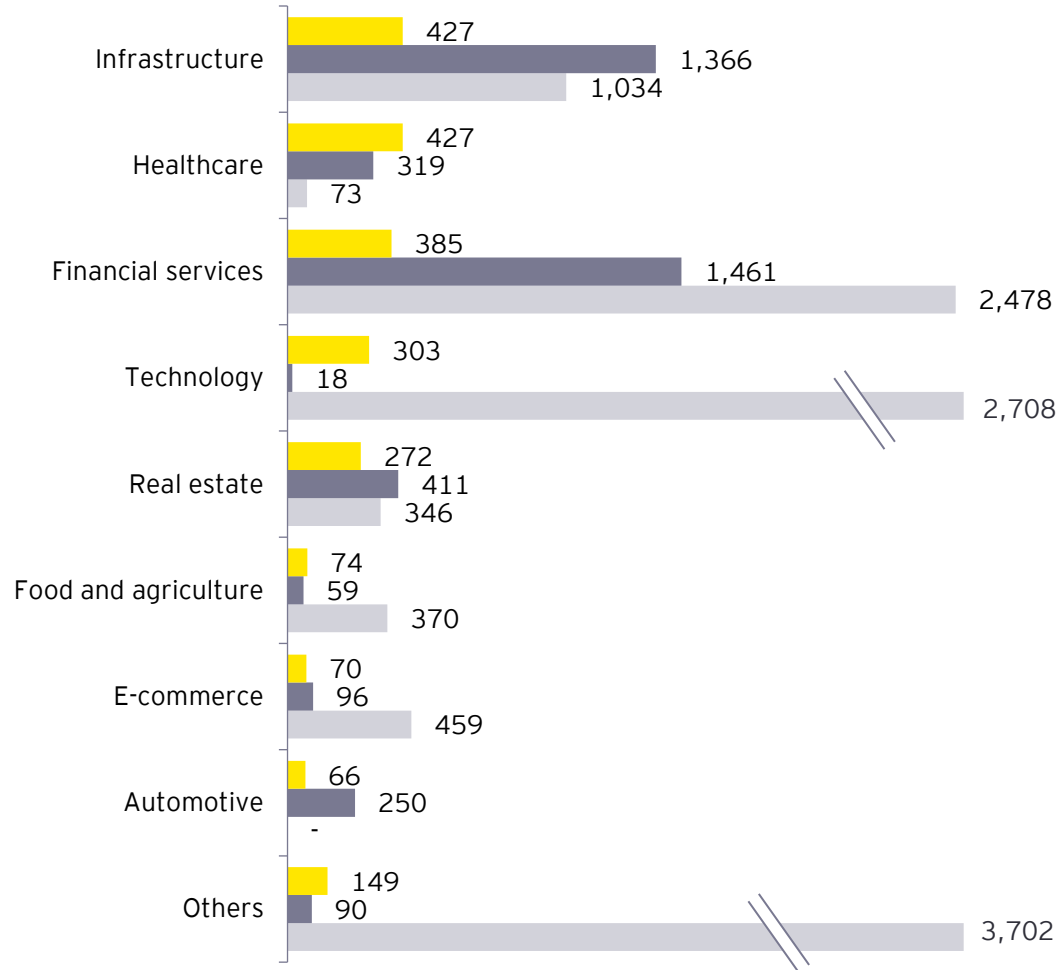


PE/ VC monthly headline trends: investments

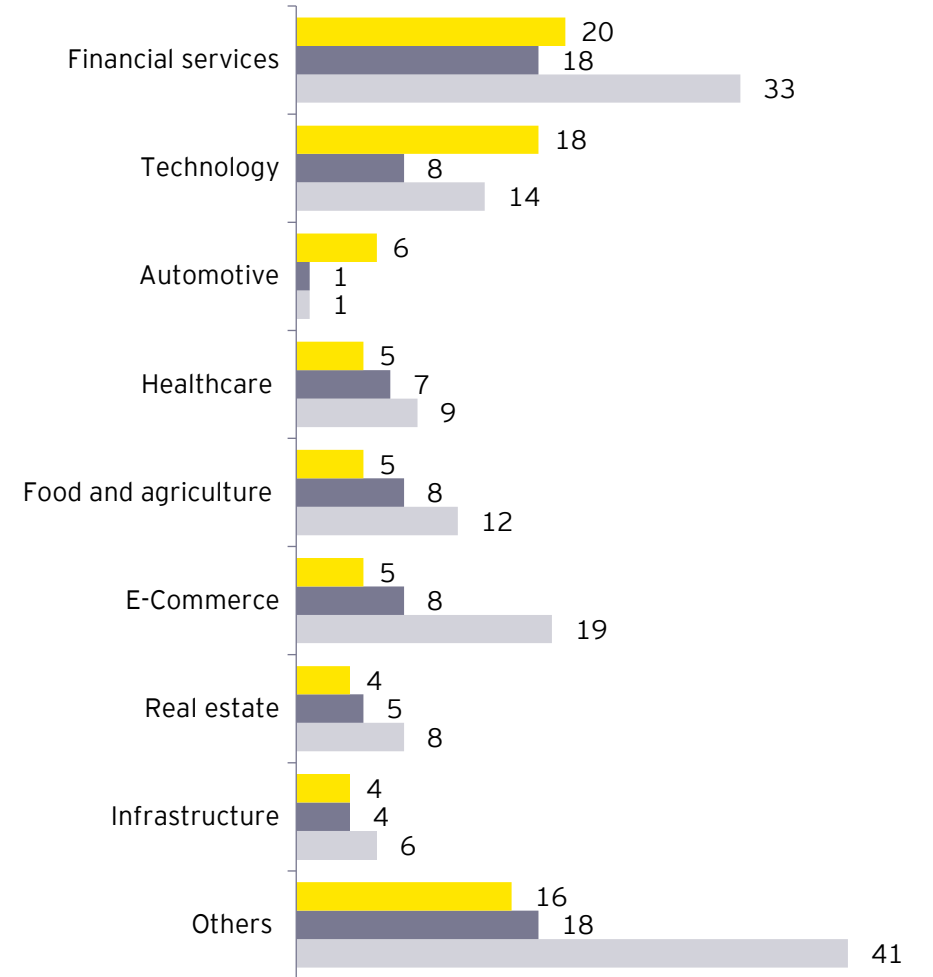


PE/ VC investments: split by sector

Top sectors by value (US\$m)

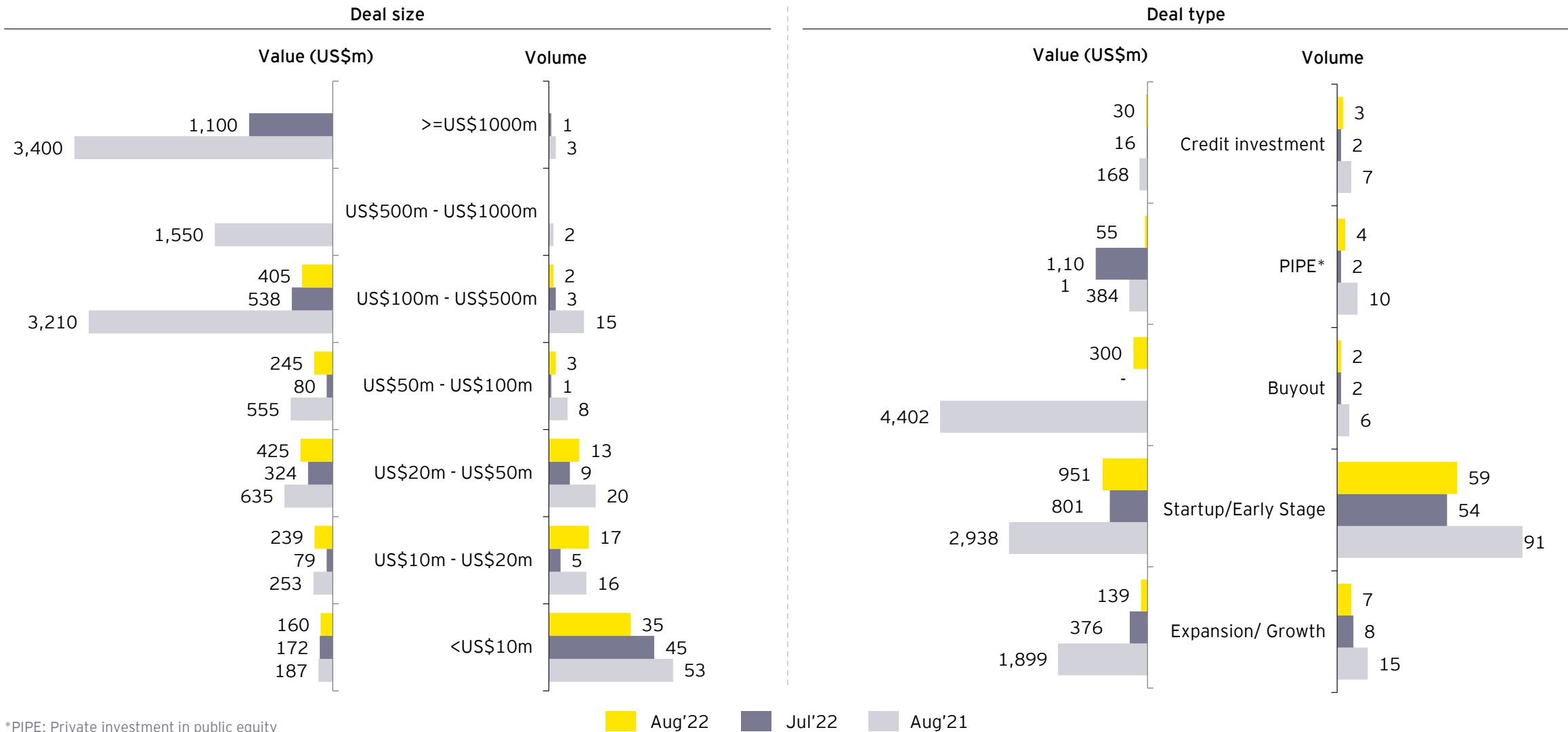


Top sectors by volume



Aug'22 Jul'22 Aug'21

PE/ VC investments: split by deal type and deal size (excluding infrastructure and real estate)



*PIPE: Private investment in public equity

Aug'22 Jul'22 Aug'21

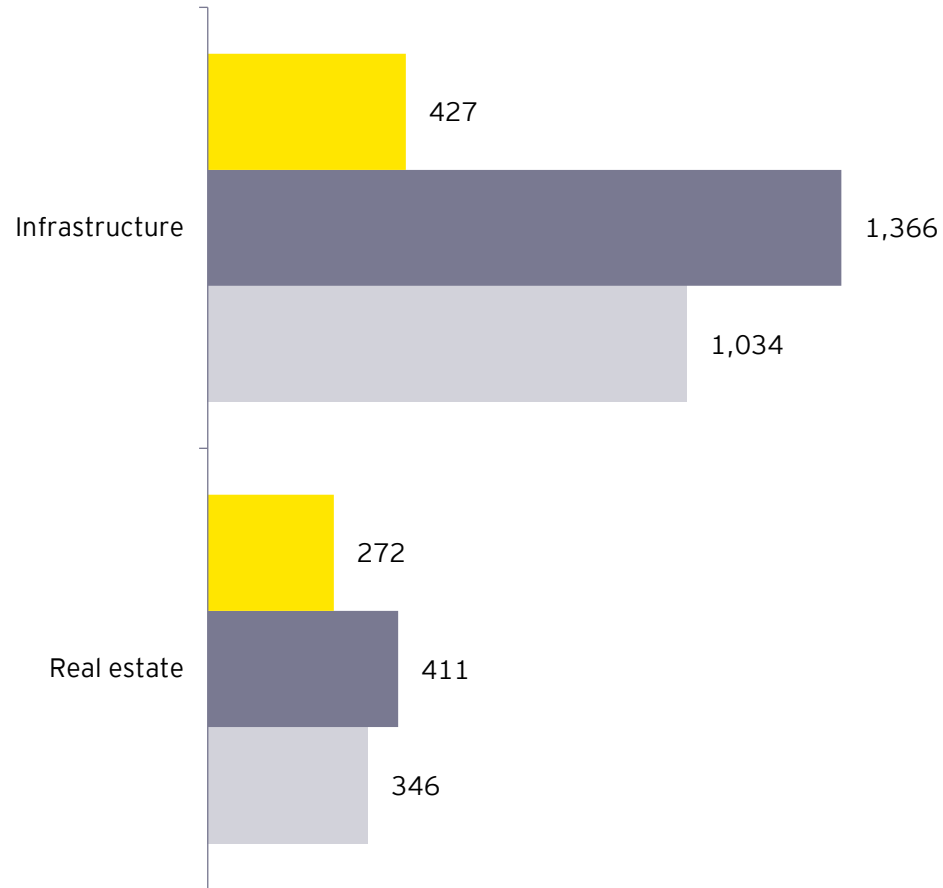
Top PE/ VC investments

Top PE/ VC investments (excluding infrastructure and real estate) in August 2022

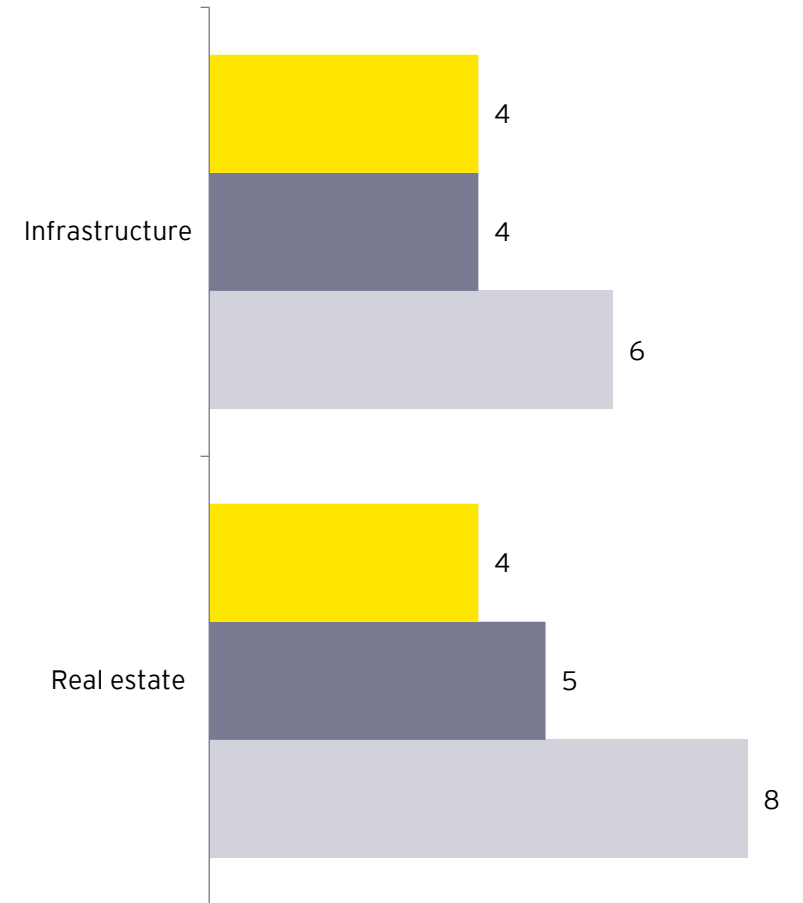
Company	PE investors	Sector	Stage	US\$m	Stake (%)
Sahyadri Hospitals Limited	Ontario Teachers Pension Plan	Healthcare	Buyout	300+	~90
WizRocket Inc. (Clevertap)	Tiger Global, Sequoia Capital, Quebec Deposit and Investment Fund, IIFL AMC Late Stage Tech Fund	Technology	startup	105	14
Social Worth Technologies Private Limited (EarlySalary)	Norwest Venture Partners, The Rise Fund and others	Financial services	startup	97	36
Aditya Birla Health Insurance Co. Limited	ADIA	Financial services	startup	84	10
Service Lee Technologies Private Limited (Servify)	Singularity Growth Opportunity Fund, Pidilite Family Office, Iron Pillar, and others	Technology	startup	65	NA
Hector Beverages Private Limited (Paper Boat)	GIC	Food and agriculture	Growth capital	50	25
Sadguru Healthcare Services Private Limited (Oasis Fertility)	Kedaara Capital	Healthcare	Growth capital	50	29
MedGenome Labs Limited	Leapfrog Investments, Novo Holdings, Sofina SA	Healthcare	startup	50	NA
Graas	Galaxy, Yuj Ventures, AJ Capital Asset Management and others	Technology	startup	40	NA
Sunstone Education Technology Private Limited	WestBridge Capital, Alteria Capital	Education	startup	35	NA

PE/ VC investments in infrastructure and real estate sectors

Top sectors by value (US\$m)

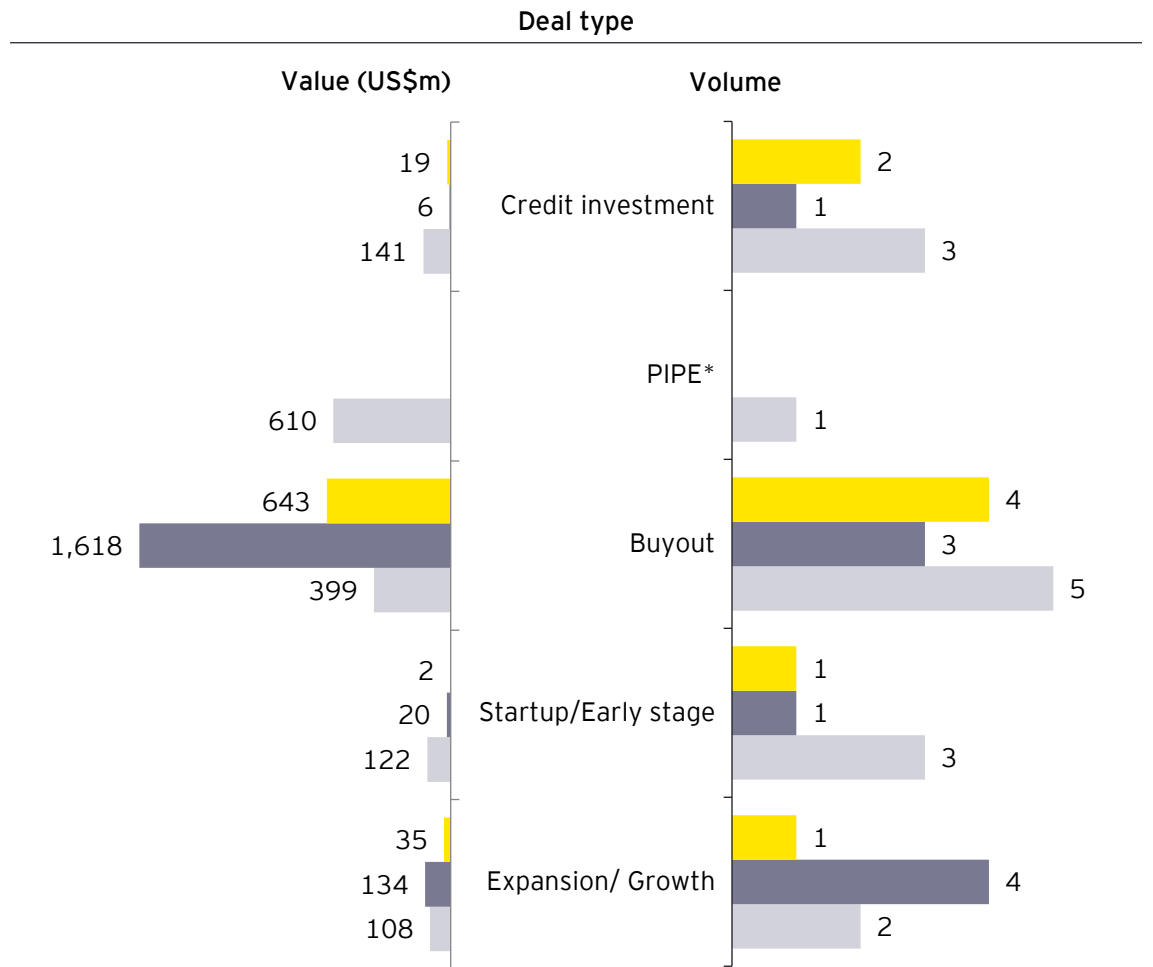
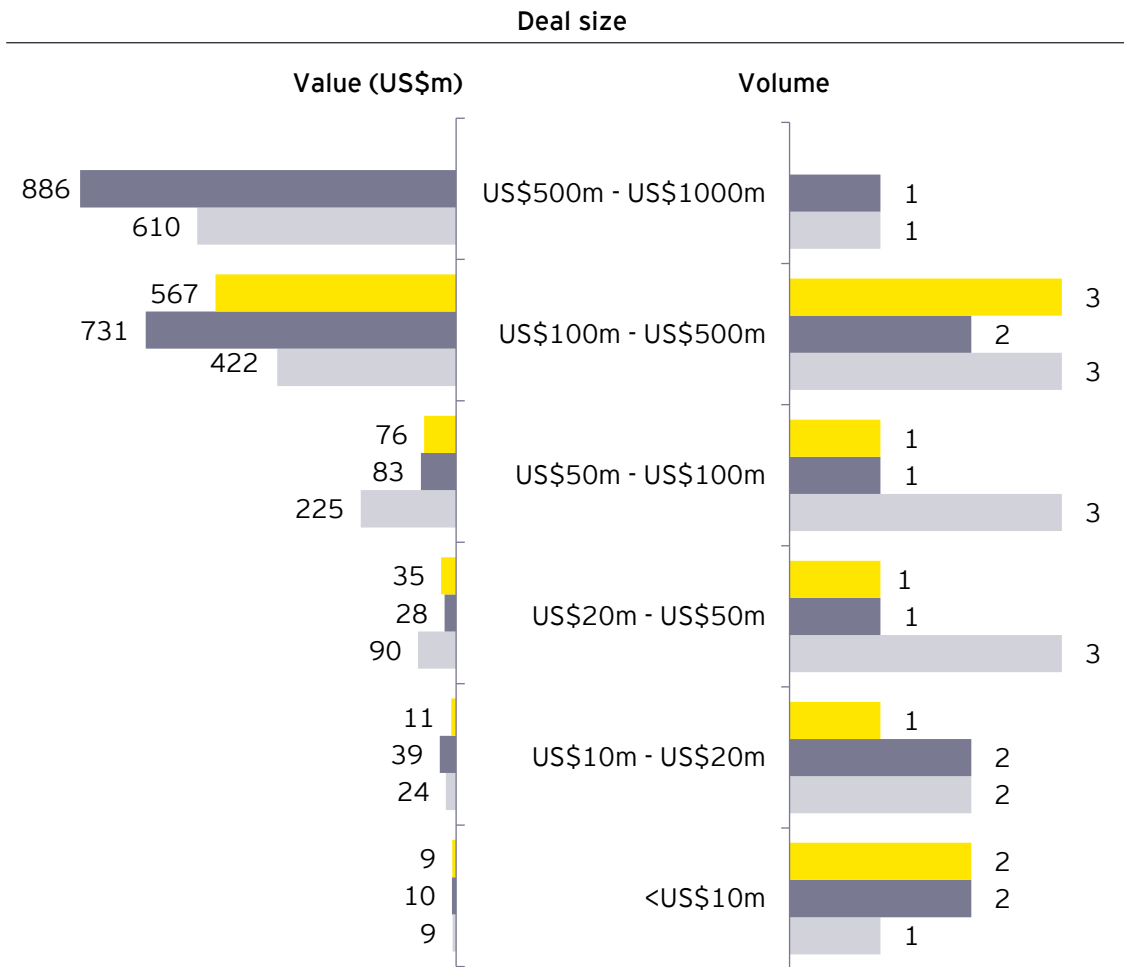


Top sectors by volume



Aug'22 Jul'22 Aug'21

PE/ VC investments in infrastructure and real estate sectors



*PIPE: Private investment in public equity

Aug'22 Jul'22 Aug'21

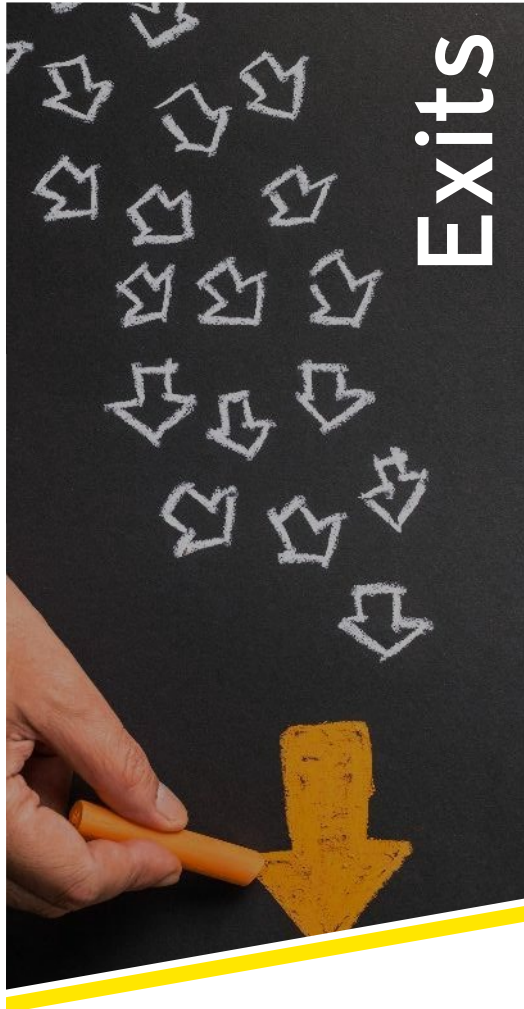


Top *infrastructure* and *real estate* investments

Top infrastructure and real estate investments in August 2022

Company	PE investors	Sector	Stage	US\$m	Stake (%)
SP Jammu Udhampur Highway Limited	National Investment and Infrastructure Fund	Infrastructure	Buyout	290	100
International Tech Park Chennai	CapitaLand Investment	Real estate	Buyout	177	100
Atha Group's 400 MW solar power assets	Actis	Infrastructure	Buyout	100	100
Arvind SmartSpaces and HDFC Capital Platform	HDFC Capital Affordable Real Estate Fund	Real estate	Buyout	76	67

Key trends



Exits

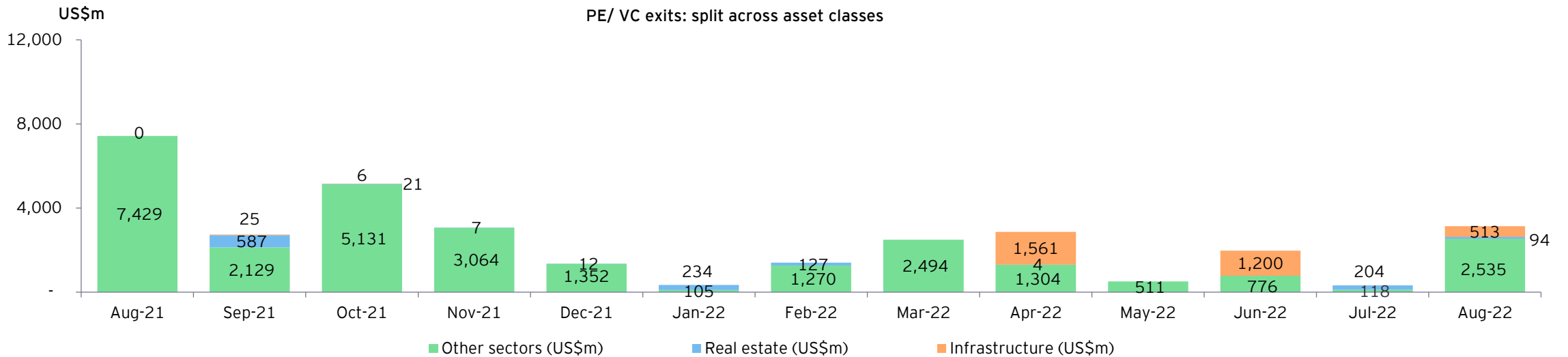
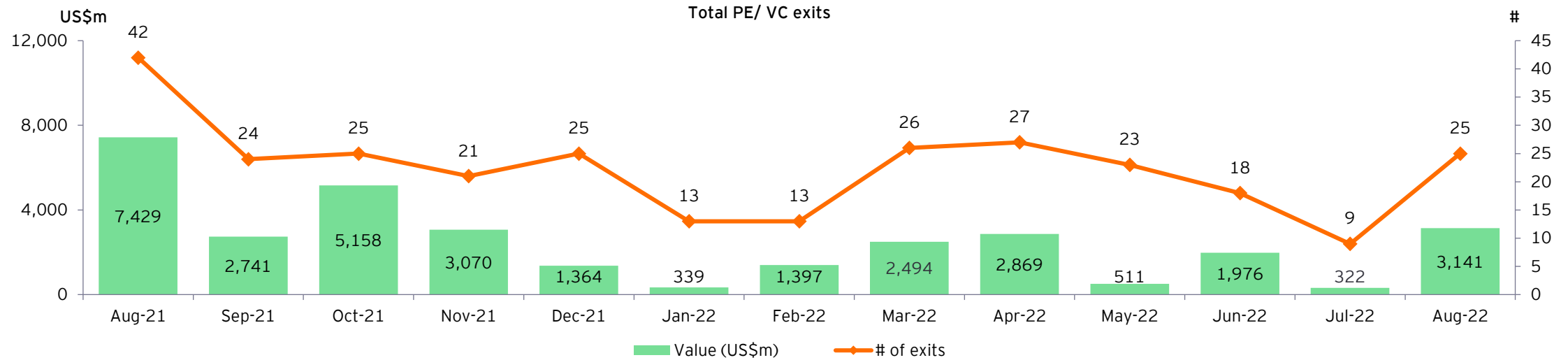
- ▶ August 2022 has been the best month for exits in 2022, recording 25 exits worth US\$3.1 billion, a significant improvement over the previous month which recorded US\$322 million across nine deals. Nonetheless, it was significantly lower compared to August 2021, which recorded exits worth US\$7.4 billion across 42 deals.
- ▶ The strong exit performance in August 2022 was on account of a few large open market exits, which included KKR selling its 28% stake in Max Health for US\$1.2 billion and Blackstone selling its 14% stake in Sona BLW for US\$509 million.
- ▶ Secondary and strategic exits also saw some marquee deals being executed, recording US\$584 million and US\$687 million in aggregate value, respectively.



Fundraise

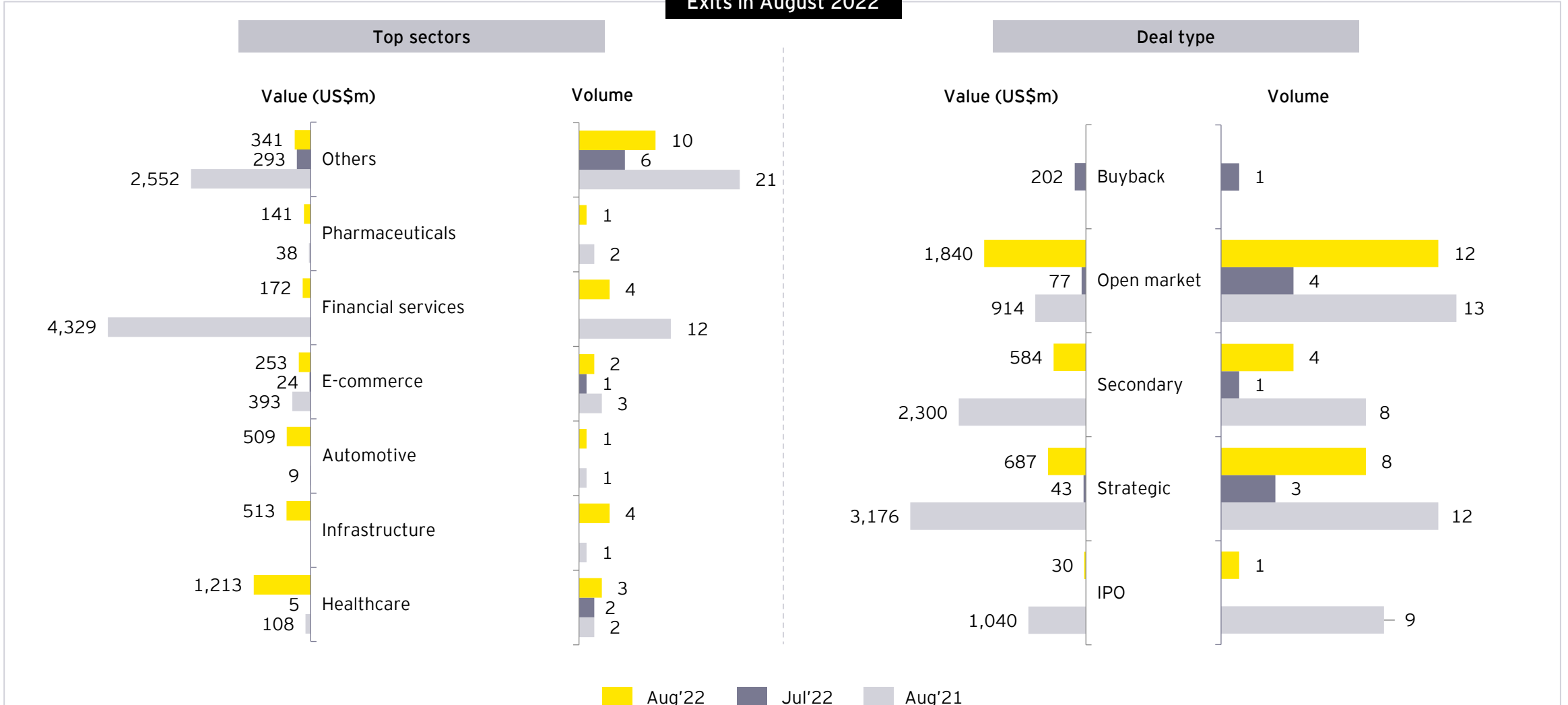
- ▶ August 2022 recorded total fundraises worth US\$493 million by four funds, compared to US\$1.9 billion raised in July 2021 across 11 funds. The largest fundraiser in August 2022 was by Fundamentum India, which raised its second fund of US\$227 million to invest in about 12 early growth-stage companies working in software-as-a-service (SaaS), healthcare, digital content and businesses that are building for non-metro cities.

PE/ VC monthly headline trends: exits



Exits: US\$3.1 billion across 25 deals in August 2022

Exits in August 2022

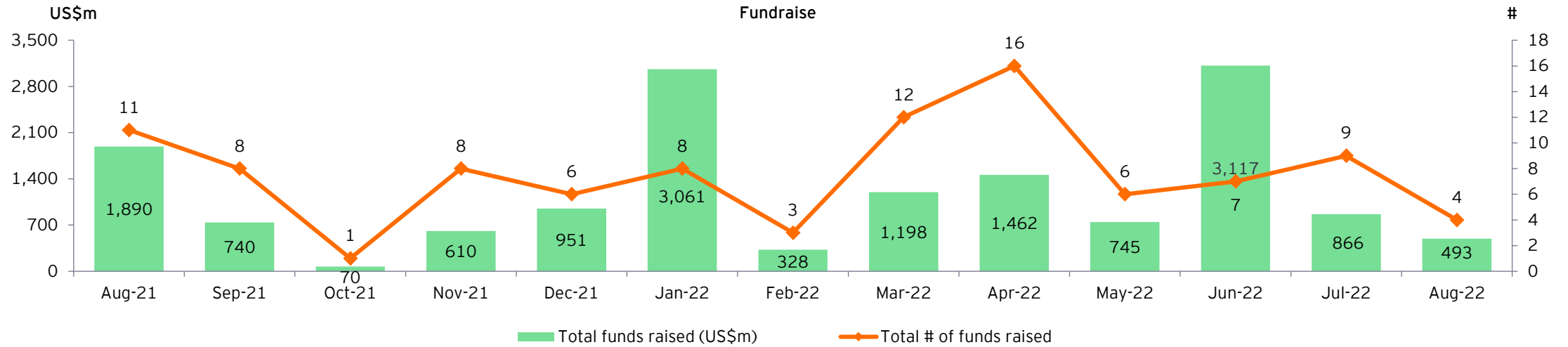


Top exits

Top exits in August 2022

Company	Sector	Sellers	Buyer	Exit type	US\$m	Stake (%)
Max Healthcare Institute Limited	Healthcare	KKR (Kayak Investments)	NA	Open Market	1,163	28
Sona BLW Precision Forgings Limited	Automotive	Blackstone	GIC Private Limited	Secondary	509	14
Swarna Tollway Private Limited	Infrastructure	Macquarie Infrastructure	Adani Road Transport Limited	Strategic	368	100
DB Power Chhattisgarh Limited	Power and utilities	Global Infrastructure Partners (GIP)	Adani Power	Strategic	143	16
Curatio Health Care India Private Limited	Pharmaceuticals	ChrysCapital, Sequoia	Torrent Pharma	Strategic	141	53
Zomato Limited	E-commerce	Sequoia	NA	Open market	135	2
Zomato Limited	E-commerce	Tiger Global	NA	Open market	118	2
Sahyadri Hospitals Limited	Ontario Teachers Pension Plan	Everstone	Ontario Teachers Pension Plan	Secondary	Not disclosed	Not disclosed

PE/ VC monthly headline trends: fundraise



Fundraise

Top fundraise in August 2022

Status	Fund	PE/ VC GP	US\$m	Strategy
Raised	Fundamentum Fund 2	Fundamentum	227	Deploy the fresh capital in about 12 early growth-stage companies working in software-as-a-service (SaaS), healthcare, digital content and businesses with focus on non-metro cities
Raised	Stride Ventures India Fund II	Stride Ventures	200	Venture debt
Announced	Alteria Capital Venture Debt Fund 3	Alteria Capital	438	Venture debt
Announced	Anicut Capital Third Debt Fund	Anicut Capital	190	Venture debt

04

Spotlight: healthcare sector
PE/VC deal trends

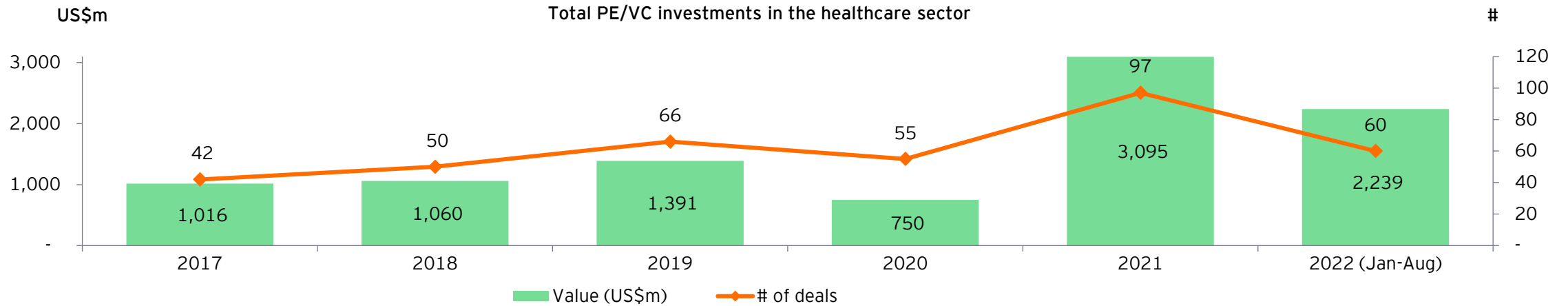


Spotlight: healthcare sector PE/VC deal trends

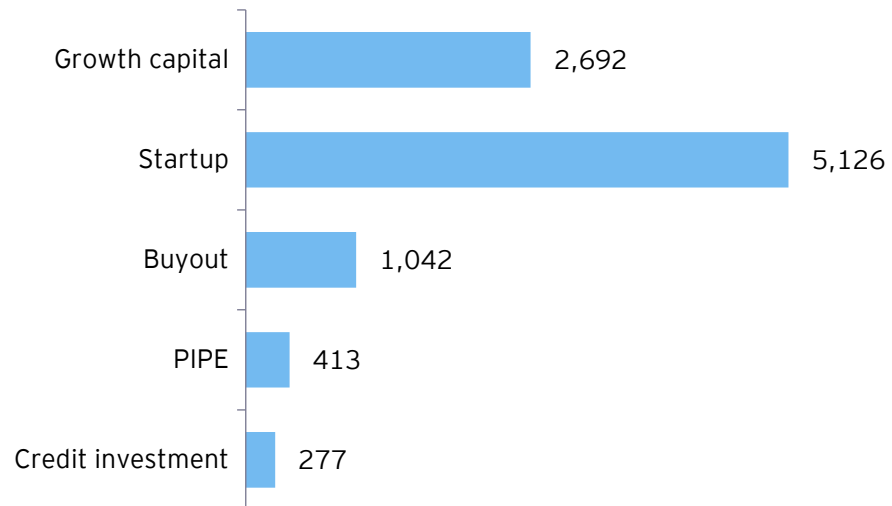
- ▶ The healthcare sector in India has recorded US\$9.5 billion in PE/VC investments since 2017, with more than 54% of the investments coming in the past two years.
- ▶ This growth has largely been driven by investments into the provider care segment (single-specialty and multi-specialty hospitals and clinics) and health-tech platforms. These two segments account for more than 70% of all PE/VC investments in the healthcare sector, both in terms of value and volume. Again, more than 80% of these investments were in the form of startup and growth funding.
- ▶ The Indian healthcare sector is growing rapidly at a CAGR of around 22% since 2016 due to increasing coverage, breadth of services, expenditure by public and private players, and the growing demand for good quality healthcare. At the current rate, it is expected to reach US\$372 billion in 2022. India, being a highly under-penetrated market, provides ample growth opportunities for companies and investors alike.
- ▶ Since hospitals are largely capital-intensive businesses, they need a lot of upfront investment to grow, which makes the sector very suitable for PE/VC investors. Most PE/VC investments are focused on creating capacity and generating operating leverage through the levers of value creation, which in turn leads to healthy return multiples on exit. This playbook seems to be working very efficiently, as reflected in the exit figures.
- ▶ The healthcare sector has recorded almost US\$5.3 billion in exits since 2017, of which more than 68% have been in the provider care segment. In terms of number of deals too, the provider care segment accounts for more than 50% of the deals since 2017.
- ▶ Further, healthcare delivery globally and in India has witnessed a renewed focus on leveraging digital technology during the pandemic, resulting in a new era of digital innovation in the entire health ecosystem. Technology is empowering patients to take care of their health, real-time analytics is improving clinical decision making, and virtual monitoring tools are enabling anywhere, anytime health care. As a result, PE/VC interest in tech-enabled startups that address the different pain points in the healthcare delivery value chain is also growing.



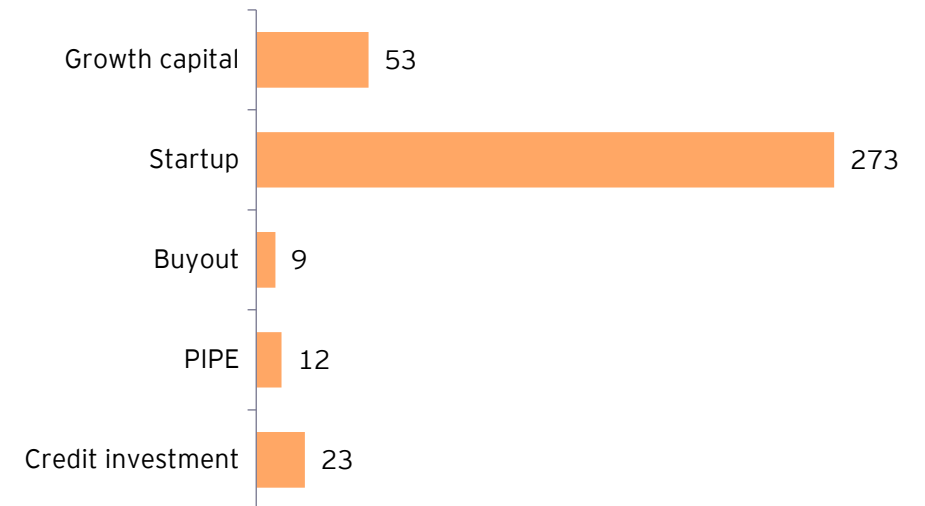
Spotlight: healthcare sector investment trend



Deal type - 2017-2022 (Jan-Aug) (US\$m)



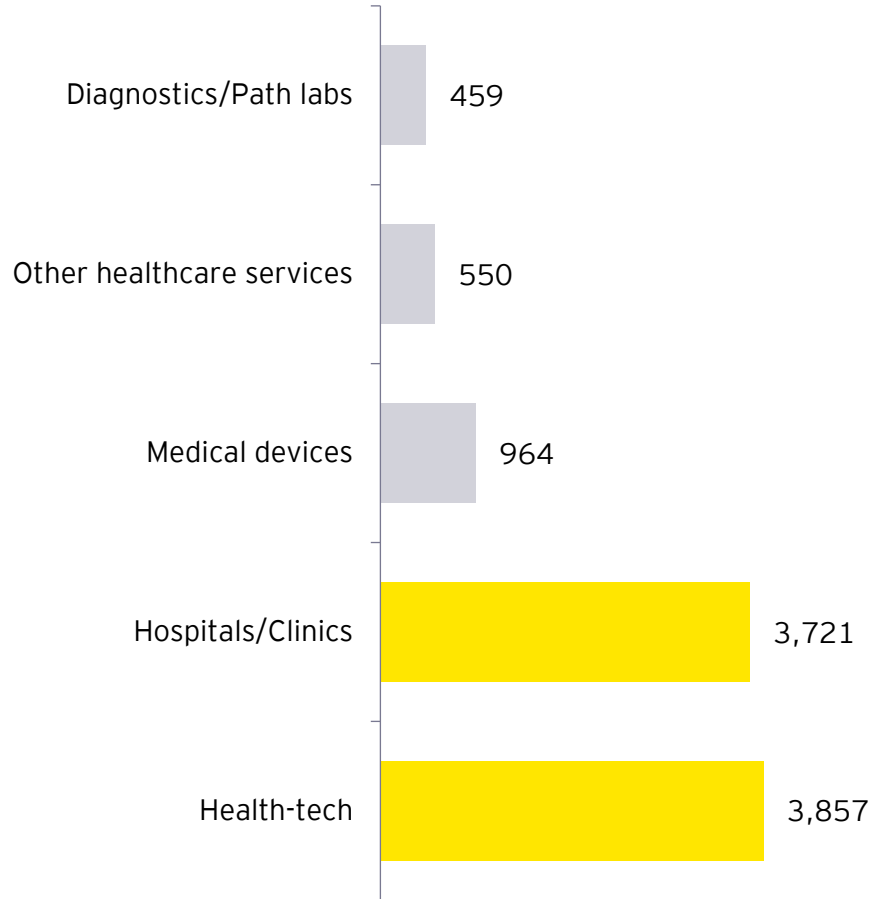
Deal type - 2017-2022 (Jan-Aug) (#)



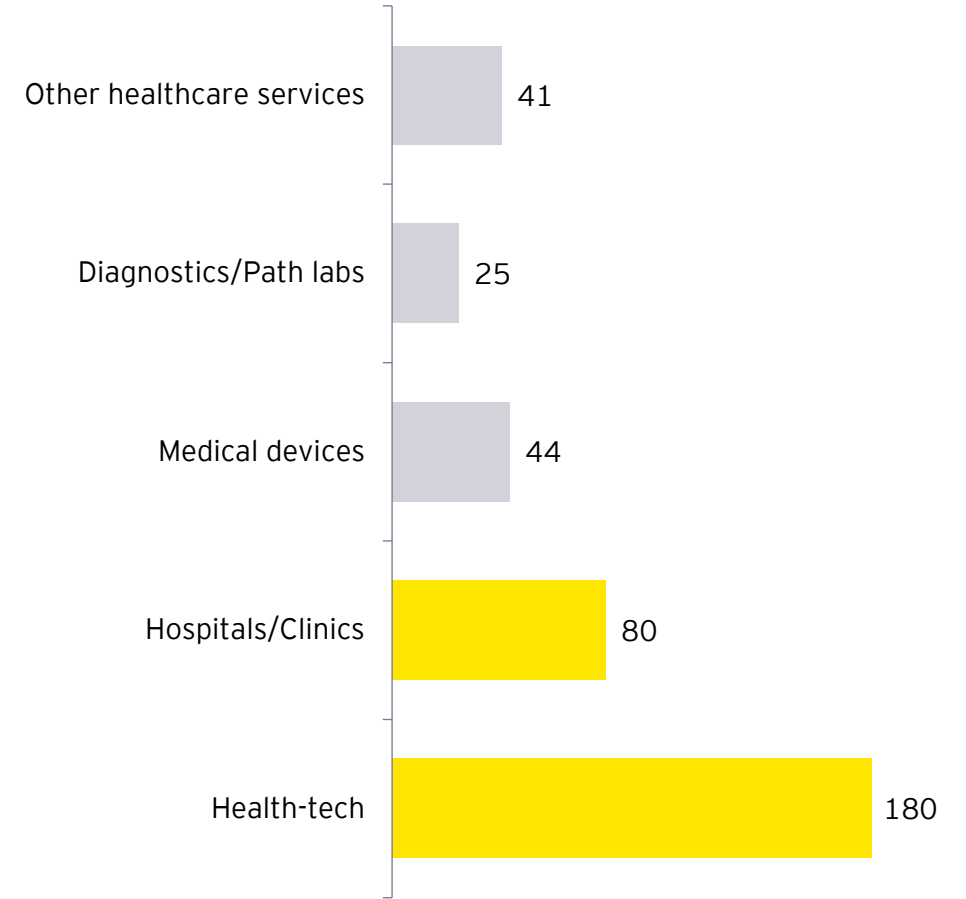
Spotlight: healthcare sector investment trend

Investments split by healthcare sub-sectors in 2017-2022 (Jan-Aug)

Split by value (US\$m)



Split by number of deals (US\$m)

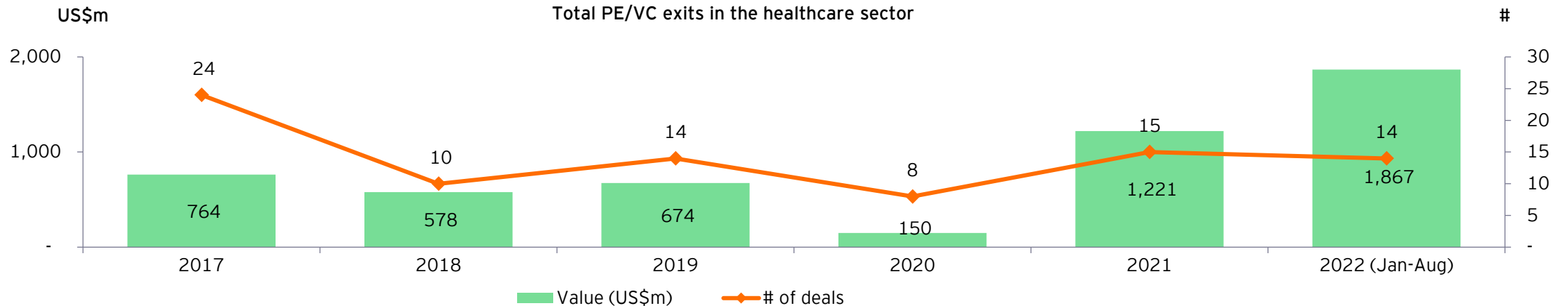


Spotlight: healthcare sector investment trend

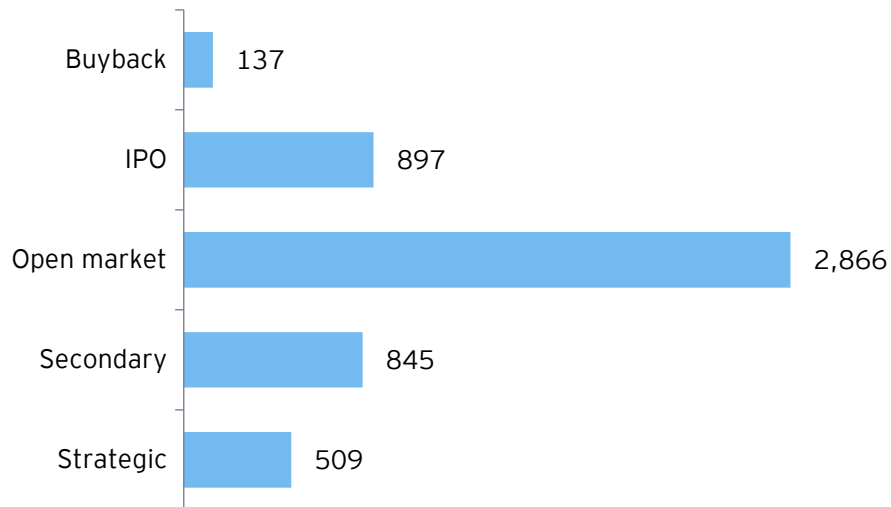
Top PE/ VC investment deals in the healthcare sector in recent years

Company	PE investors	Sub-sector	Deal type	PE Exit	Year	US\$m	Stake (%)
API Holdings Pvt Ltd (Pharomeasy)	TPG Capital, Temasek, Naspers	Health-tech	Startup		2021	350	NA
Sahyadri Hospitals Limited	Ontario Teachers Pension Plan	Hospitals/Clinics	Buyout	Everstone	2022	300+	NA
Manipal Healthcare Private Limited	NIIF Strategic Opportunities Fund	Hospitals/Clinics	Growth capital		2021	286	NA
Ascent Health And Wellness Solutions Pvt. Limited	Temasek, Lighthouse and others	Health-tech	Startup	Partial exit by Everstone	2022	220	NA
Micro Life Sciences Private Limited (Meril Group)	Warburg Pincus	Medical devices	Growth capital		2022	210	12
ASG Hospital Private Limited	General Atlantic, Kedaara Capital Fund	Hospitals/Clinics	Growth capital	Investcorp	2022	188	NA
Asia Healthcare Holdings	GIC	Hospitals/Clinics	Growth capital		2022	170	40
CureFit Healthcare Private Limited	Accel, Temasek, South Park Commons, Zomato	Health-tech	Growth capital		2021	145	10
Dr. Agarwal's Health Care Limited	Temasek, TPG Growth	Hospitals/Clinics	Growth capital	ADV Partners	2022	136	NA
Medi Assist Healthcare Services Limited	Bessemer Ventures, Quadria, Rebright Partners, and others	Health-tech	Growth capital		2022	125	NA
Sterling Addlife India Private Limited (Sterling Hospitals)	Arpwood Partners, Clermont Group, Somerset Health and others	Hospitals/Clinics	Buyout	IDFC PE	2022	113	NA
Sahyadri Hospitals Limited	Everstone	Hospitals/Clinics	Buyout		2019	105	80

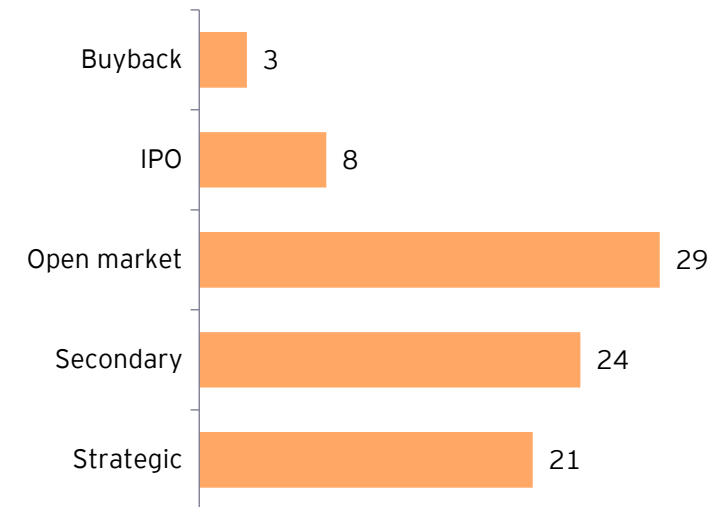
Spotlight: healthcare sector exit trend



Deal type - 2017-2022 (Jan-Aug) (US\$m)

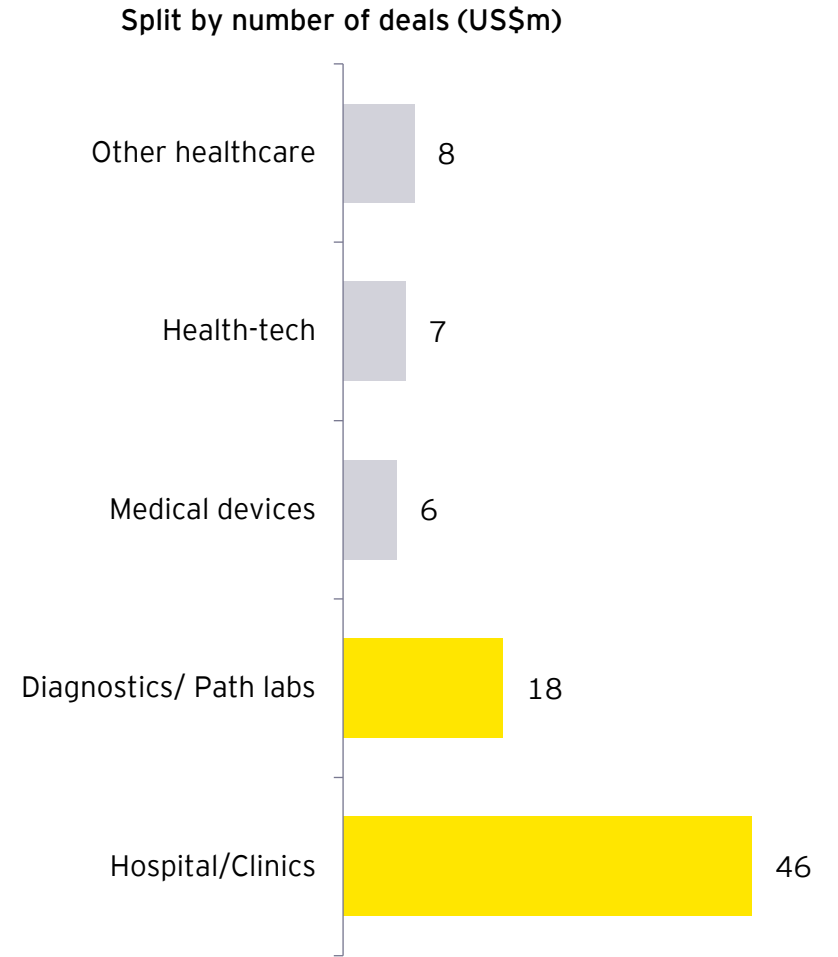
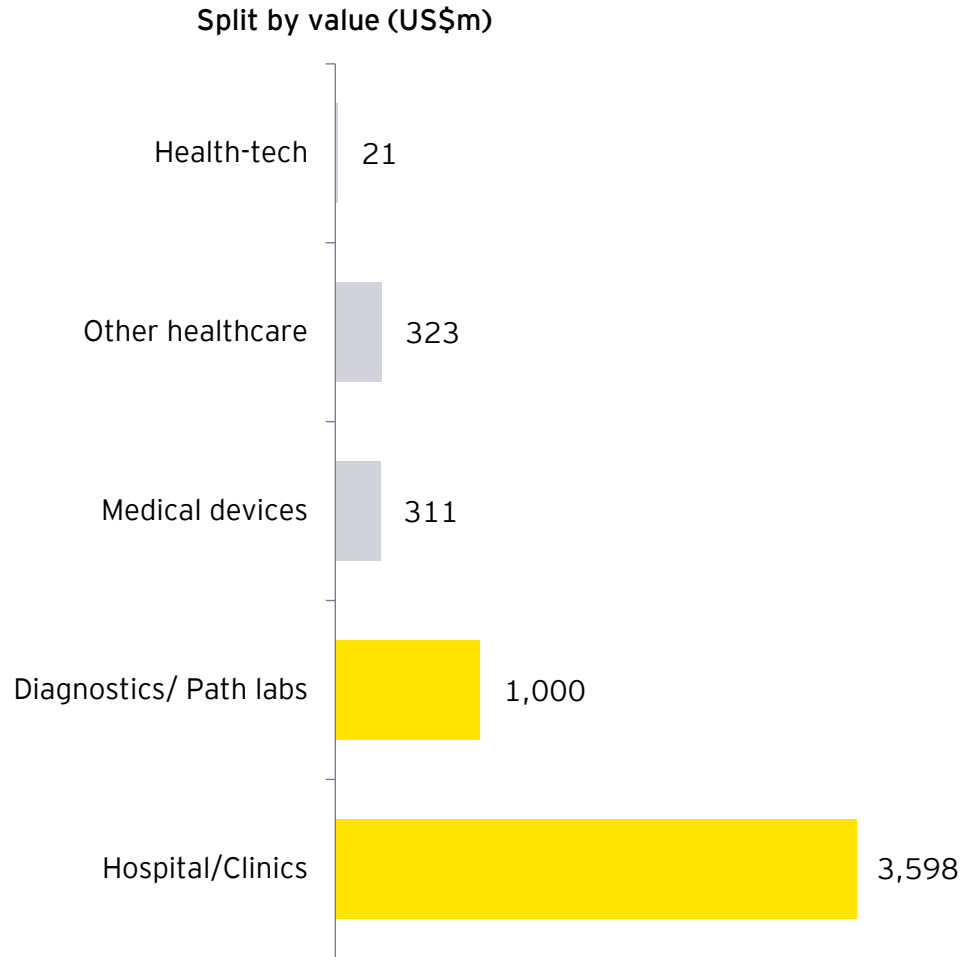


Deal type - 2017-2022 (Jan-Aug) (#)



Spotlight: healthcare sector exit trend

Exits split by healthcare sub-sectors in 2017-2022 (Jan-Aug)



Spotlight: healthcare sector exit trend

Top PE/ VC exits in the healthcare sector in recent years

Company	Sub-sector	Seller(s)	Buyer(s)	Deal type	Year	US\$m	Stake (%)
Max Healthcare Institute Limited	Hospitals/Clinics	KKR	NA	Open market	2022	1,163	28
Vijaya Diagnostics Center Limited	Diagnostics/ Path labs	Karakoram, Kedaara	NA	IPO	2021	221	30
Krishna Institute of Medical Sciences Limited	Hospitals/Clinics	General Atlantic	NA	IPO	2021	177	20
Medplus Health Services Limited	Other healthcare	PremjiInvest, Warburg Pincus	NA	IPO	2021	155	13
Metropolis Healthcare Limited	Diagnostics/ Path labs	Carlyle	NA	IPO	2019	133	15
Krsnaa Diagnostics Limited	Diagnostics/ Path labs	Phi Capital, Kitara, Somerset Indus Healthcare Fund I Ltd	NA	IPO	2021	108	27
Rainbow Children's Medicare Limited	Hospitals/Clinics	CDC	NA	IPO	2022	103	14
Suburban Diagnostics India Private Limited	Diagnostics/ Path labs	Sequoia	Dr. Lal PathLabs Limited	Strategic	2021	62	41
Asian Institute of Gastroenterology Private Limited	Hospitals/Clinics	Samara Capital	Quadria Capital	Secondary	2019	52	NA
Sadguru Healthcare Services Private Limited (Oasis Fertility)	Hospitals/Clinics	InvAscent	Kedaara Capital	Secondary	2022	50	29

A close-up photograph of two business professionals shaking hands. The person on the left is wearing a dark blue suit jacket, a white shirt, and a silver watch with a black dial. The person on the right is wearing a red suit jacket and a purple and white striped shirt. In the background, other people in business attire are visible, and a glass and coffee cups are on a table in the foreground.

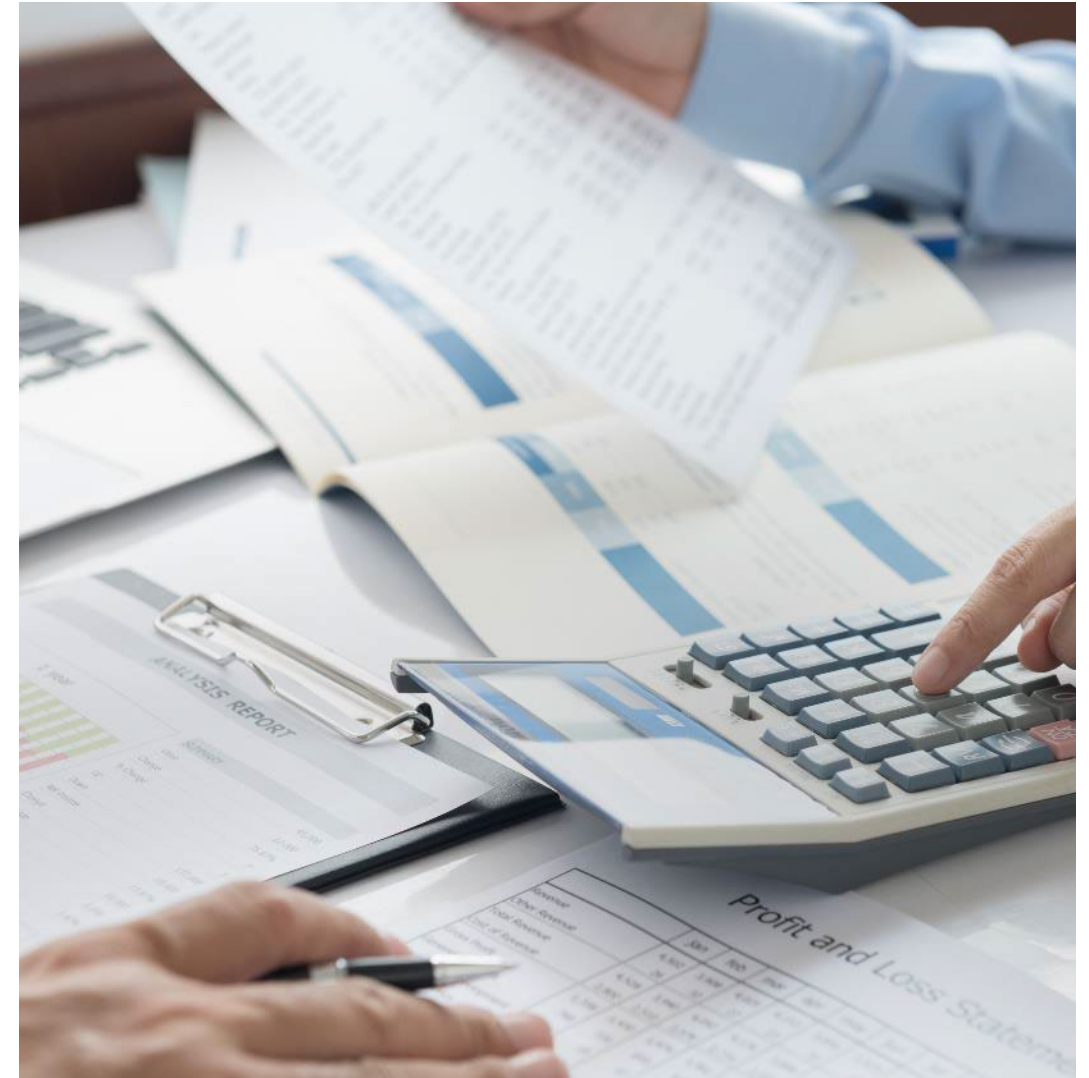
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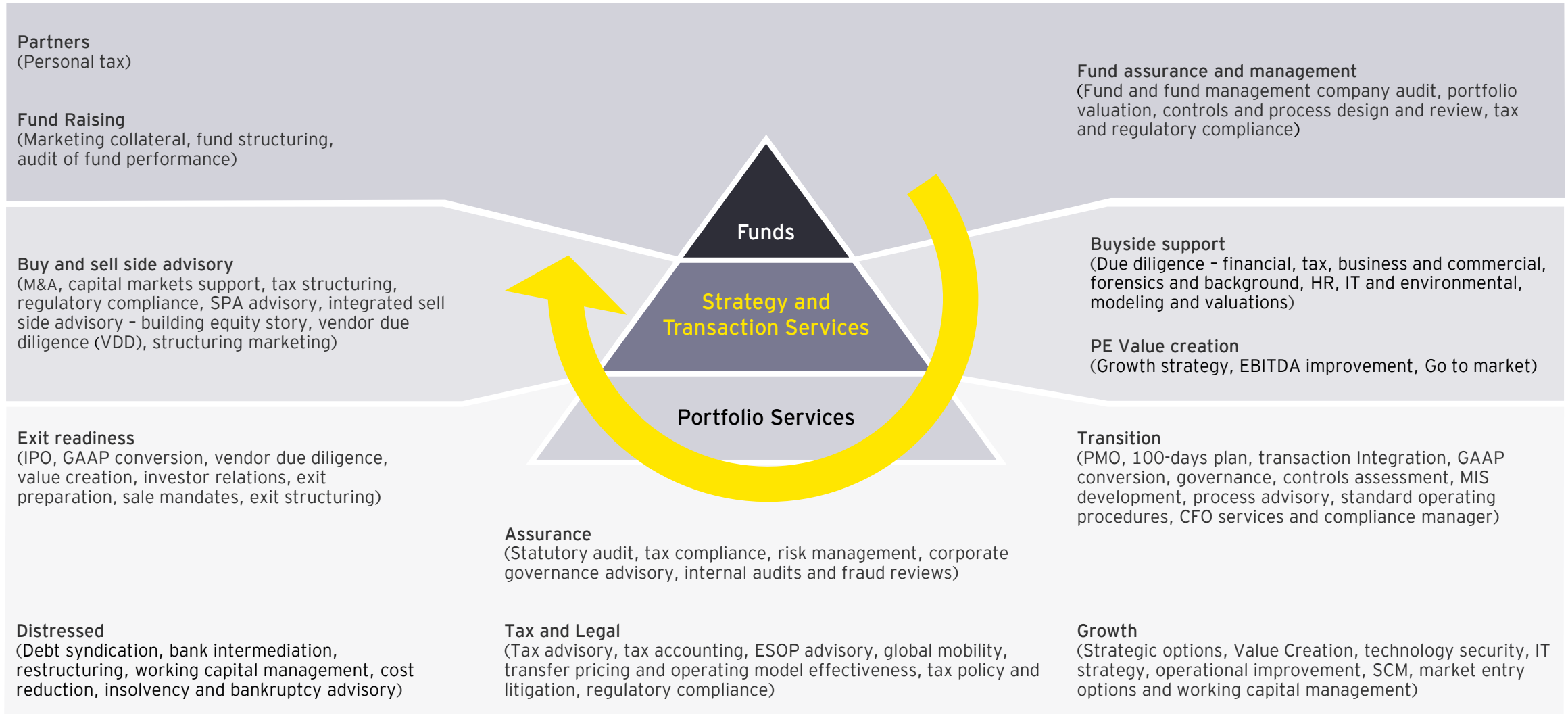
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A nighttime photograph of a cable-stayed bridge, likely the Jumeirah Emirates Towers Bridge in Dubai, with its two tall pylons and numerous stay cables illuminated. The bridge spans across a body of water, with a city skyline of lit-up skyscrapers in the background under a dark blue sky. In the foreground, there are palm trees and some foliage.

About IVCA

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The Indian Private Equity & Venture Capital Association (IVCA), is the apex body promoting the Alternative Investment Funds (AIFs) in India and promotes stable, long-term capital flow (Private Equity (PE), Venture Capital (VC) and Angel Capital) in India.

With leading VC/ PE firms, institutional investors, banks, corporate advisers, accountants, lawyers and other service providers as members, it serves as a powerful platform for all stakeholders to interact with each other. Being the face of the Industry, it helps establish high standards of governance, ethics, business conduct and professional competence.

With a prime motive to support the ecosystem, it facilitates contact with policy makers, research institutions, universities, trade associations and other relevant organizations. Thus support entrepreneurial activity, innovation and job creation.

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