India Private Equity Report 2022

A phase transition in the making

IVCA
IVC ASSOCIATION
INDIAN VENTURE AND ALTERNATE CAPITAL ASSOCIATION
PROMOTING PRIVATE CAPITAL ECOSYSTEM

BAIN & COMPANY

Authors

Arpan Sheth is a partner in Bain & Company's Mumbai office. He serves as the global capability leader for Bain's Vector Solutions Group and leads the Private Equity and Alternative Investor practice in India.

Sriwatsan Krishnan is a partner in Bain & Company's Mumbai office and is a leader in Bain India's Private Equity practice.

Naman Bansal is an associate partner in Bain & Company's New Delhi office and is a leader in Bain India's Private Equity practice.

Key contacts

Arpan Sheth in Mumbai (arpan.sheth@bain.com)

Sriwatsan Krishnan in Mumbai (sriwatsan.k@bain.com)

Naman Bansal in New Delhi (naman.bansal@bain.com)

For media queries:

Sitara Achreja in Mumbai (sitara.achreja@bain.com)

Nicholas Worley in Hong Kong (nicholas.worley@bain.com)

Acknowledgments

We deeply thank the Bain India team, including Aakriti Gupta, Abhishek Bhat, and Dhairya Aggarwal, for their in-depth research and analytical rigour. We also wish to thank Shelza Khan and Maggie Locher for their editorial support. Finally, we would like to thank the private equity funds that contributed to this work by sharing their insights and counsel that were invaluable in shaping this report.

Contents

Executive summary: Indian private equity signals a phase transition

2021 has been a banner year that saw India private equity (PE) and venture capital (VC) bounce back from a pandemic-induced slowdown with fury. Reaching approximately $70 billion in investments, the PE-VC market was buzzing with frenetic deal activity and a complementary acceleration in exit momentum. While the first half of the year stuttered as India faced a devastating second wave of Covid-19 and experienced lockdowns and various uncertainties, the economy shifted back into gear in the second half in a quick rebound as a rapid vaccination rollout was undertaken.

Indian investments grew faster in 2021 than most major economies, including China, with 96% growth over 2020 (excluding the mega deals of Jio Platforms and Reliance Retail). Coupled with the flight of capital away from China due to political uncertainties, the growth helped India increase its share of the overall Asia-Pacific (APAC) market—a signal of a trend expected to continue. India looks to consolidate its position as the market of choice for investors in what can be seen as a phase transition for the market. The country has demonstrated political and economic stability, coupled with a confluence of various factors enabling depth in the investment ecosystem—a maturing investments landscape with diversity of fund sizes and types, improving asset quality and governance, an abundance of ready capital, and a vibrant market for exits. 2021 was a milestone year for India, and a slight moderation should be anticipated as the market looks to consolidate the year's wins and step into a new phase, with higher deal values and wider exit opportunities supported by a larger pool of quality assets.

Many records were set and milestones were reached in 2021 for the Indian PE-VC market, with:

- **Record velocity of deals,** with over 2,000 deals closed compared to almost 1,100 each in the two years prior;
- **A quadrupling of exit momentum** to $36 billion, with huge exits across sectors as valuations inflated further;
- **A massive increase in venture capital (VC) and growth equity** expanding to $38.5 billion, in almost a 4x jump from 2020, that took its share of overall investments to greater than 50%;
- **An expansion in buyouts** deal value by 5x to over $16 billion as the average value of deals tripled since 2016, reaching more than 50% of the share of PE investments; and
- **A host of new-age businesses listing on public exchanges this year** (Zomato, Nykaa, etc.), complemented by the appetite shown by Indian retail investors for new-age business models as these IPOs got oversubscribed.

2021 saw many themes from the previous years continue. The strong deal flow from previous years continued and accelerated even further, with an 87% increase over last year's volumes. The number of large cheque size investments also witnessed a significant increase. 11 investments of more than $1 billion were seen in 2021, compared to 6 in 2020. Much of 2021's deal activity was in consumer tech and IT/ITES, an indication of the expanding share of growth captured by the tech and internet sectors. The two sectors combined represented more than 60% of the year's deal value at nearly $44 billion, and represent the sector's resilience and attractiveness through uncertainties as business models in these sectors adapted faster than traditional models in other sectors. Further, VC and growth equity surpassed all growth estimates, soaring to $38.5 billion from approximately $10 billion 2020.

In parallel, the momentum in exits and the shift away from China were new trends that unfolded. Secondary sales, public market exits, and strategic sales all picked up, and the average size of exits across these routes have seen a significant expansion since 2019. 2021 also saw a massive increase in valuations, as a seller-friendly market emerged with huge multiples for heightened growth, especially in the tech and internet sectors. Another important trend was the attention to environmental, social, and governance (ESG) criteria in investing, as assets under management (AUM) for ESG funds scaled up. This trend is expected to accelerate in the coming years as ESG becomes the norm rather than the exception. A survey amongst Indian funds revealed that they expect ESG considerations over their PE AUM to grow to 90% in five years from now, up from 39% five years ago.

Led by Carlyle's $3 billion deal into Hexaware and Blackstone's $2.8 billion Mphasis deal, IT/ITES witnessed a significant expansion in 2021. Larger deals were unlocked in 2021, and valuations were higher by 25%–30% over past averages. Five deals of more than $1 billion were also seen for the first time in a single year in the sector. The IT/BPO subsector saw significant traction within verticalised business niches and benefited from the convergence of tailwinds enabled by pandemic-induced business transformation agendas. Market opportunities in digital IT services are expected to grow at 18%–20% and will invite larger investments into the sector.

Healthcare witnessed increased traction in 2021. Healthcare provider activity picked up from 2020's lull as Covid-induced operational stresses reduced, while pharma managed to maintain the deal values unlocked last year. The provider space, including hospitals, single speciality formats and diagnostics grew 2x over 2020's invested value, with the Manipal-NIIF and Apollo-Sands Capital deals driving a significant chunk of the deal value. The sector is driven by five discernible themes such as scale through consolidation, niche speciality play, out-of-hospital (or daycare) formats, high-end speciality diagnostics & AI, and platform play for operational efficiencies.

In the most celebrated milestone for 2021, exits worth more than $36 billion were unlocked. Strategic sales constituted 50% of the exit volumes, while the share of value was almost equally split across secondary sales, public market exits, and strategic sales. Strategic sales were anchored by a few marquee deals, such as BillDesk acquisition by PayU at $4.5 billion and Tata's acquisition of Bigbasket at $1.3 billion. However, initial public offering (IPO)-led exits stole the show in 2021. In a significant milestone, the Securities and Exchange Board of India relaxed norms for loss-making firms to list on the public bourses, paving the way for future public market exits and clearing a significant roadblock that had existed for years. In a vindication of the importance of this move, public market exits worth $11 billion took place, expanding by $7 billion over 2020's value. This is further emboldened by the 95% year-over-year (YoY) growth seen in average value of exits via the public market route. Exit multiples continued to increase awith the average reported multiples growing by 20% to 5.6. Key xits in consumer tech, IT, and BFSI, such as TPG-Nykaa, Baring-Hexaware, and Carlyle-SBI Cards significantly surpassed the average. Furthering the moderation of public markets due to inflation and global uncertainties, exit momentum is expected to temper in the near term, especially with the portfolio age for major funds declining post-2021's activity. The depth witnessed in the exits market across all routes in 2021 is expected to provide buoyant exits in the longer term, after a temporary slowdown.

The competitive landscape within PE is undergoing some important shifts as the Indian market becomes more mature and the number of active funds increases. The competition within funds and increased participation of limited partners (LPs) are driving up valuations and making deal sourcing and faster execution increasingly critical. Funds are shifting their strategy to adapt to these changes by expanding cheque sizes, investing in deeper target relationships, and increasing value-creation capabilities, especially by setting up portfolio teams. Traditional funds are increasingly seeking buyout opportunities, with Blackstone, Baring, Carlyle, Advent, GIC, and KKR each investing more than $1 billion each in buyouts over the last three years, with an increasing outlay over years. Buyouts are attractive as they give funds more control over value creation for high-value deals—enabled through operational turnarounds and deep sectoral focus. We expect to see more such differentiated fund strategies as India's market attracts more investors.

As India-focused funds look toward the next phase of the Indian investments ecosystem, they are looking to embrace ESG toward meeting net zero and responsible investing goals. Leading funds are expected to pave the way for other funds to follow toward improved shareholder return while maintaining or improving the resilience of immediate stakeholders and society. The path forward will see funds generating differentiated value from their ESG interventions as they pivot from a risk mitigation view of ESG to a value-creation view of the same, and we expect ESG leadership to emerge as a key priority for funds going forward.

After an exuberant year for both deal activity and exits in 2021, the outlook for 2022 is expected to be sobering. The global economy entered 2022 coping with macro stresses of runaway inflation, global political uncertainties and escalating tensions, supply chain disruptions, and calls for urgent climate action. The market sentiment has been further dampened by the crash in blue chip tech stocks in the public markets which has eroded the optimism around tech & internet businesses that saw them at extremely high valuations in Q4 2021. Domestically as well, funds in India are anticipating corrections from last year's high valuations and frenetic activity across deals and exits. We anticipate a significant tempering of pace as these macro and micro trends converge, but see this as an opportunity for the consolidation of last year's gains which should make India see annual PE-VC deal values of around $50+ billion more frequently.

Already in 2022, even as the bullish sentiment has waned, more than $24 billion of PE-VC investments in ~630 deals were recorded by May (vs. 775 for ~$19 billion in value by May 2021), riding on last year's momentum. However, VC and growth equity have slowed significantly, with 20% lesser deals this year compared to last year's run rate of 130 deals every month. Average VC cheque sizes have also declined from $25 million to $20 million. On the other hand, private equity continues to demonstrate strength with deal count per month growing by around 27% over an annualised base of 165 deals. The average realised cheque size of $168 million this year keeps PE deals within the range of $150–$200 million seen over last five years. An important reversal of trend that is expected to last is the dampening of the vigorous exit activity of 2021 which saw exits grow 4x to $36 billion. This year has seen exit activity of $5.9 billion so far, in a 56% decline over the last year's activity over a similar duration—and the exit activity is expected to weaken further. The bearish sentiment in public markets coupled with the younger portfolios of top funds could see exits dip to pre-2021 stages again. Even though the pace of deals is slowing down, large funds like Baring, TPG, ChrysCapital, ADIA and Warburg Pincus continue to keep pace with their activity over last year, vindicating confidence in the fundamentals of the Indian market.

Figure 1: How did 2021 unfold?

↑ **Investments**

A decade high of investment value was unlocked, in a year that paid homage to Indian PE coming of age. Deal count doubled.

↑ **Fundraising**

Fundraising stayed strong with a dry powder glut that played favorably for India. The country became more attractive within APAC as funds redirected funds from China.

↑ **Exits**

The pace of exits complemented the pace of deal activity. While it was a bumper year for public market exits, other modes of exit also flexed strength.

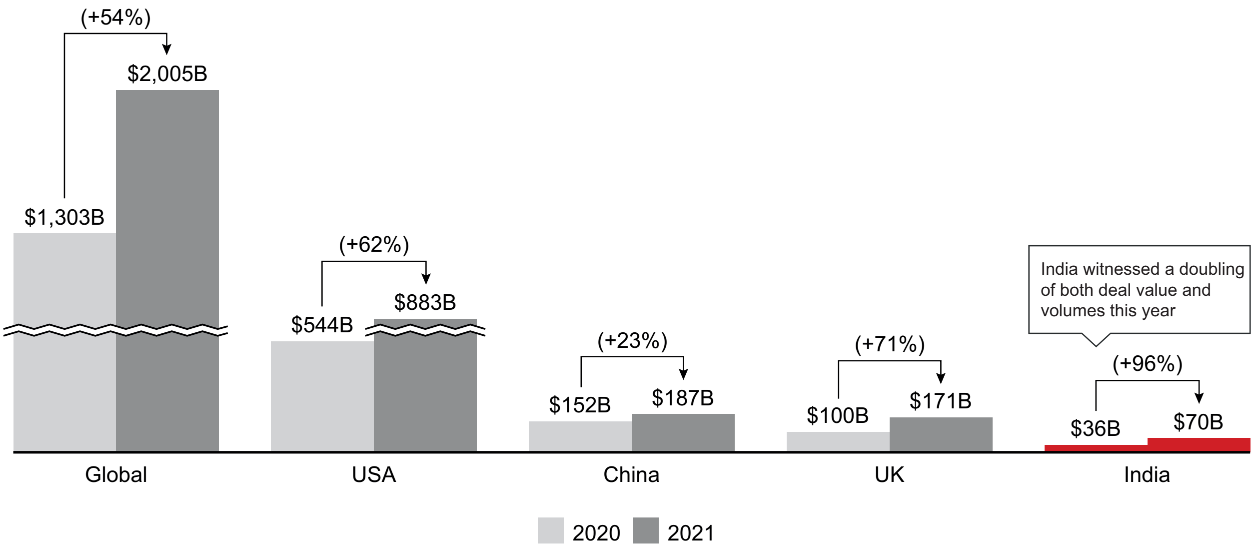
→ **Outlook**

Indian PE poised to gain strength on the back of a thriving start-up ecosystem, second-generation founders, and maturing exit markets. However, short-term moderation likely.

Source: Bain analysis

Figure 2: Indian deal activity surpassed growth witnessed by global peers in 2021

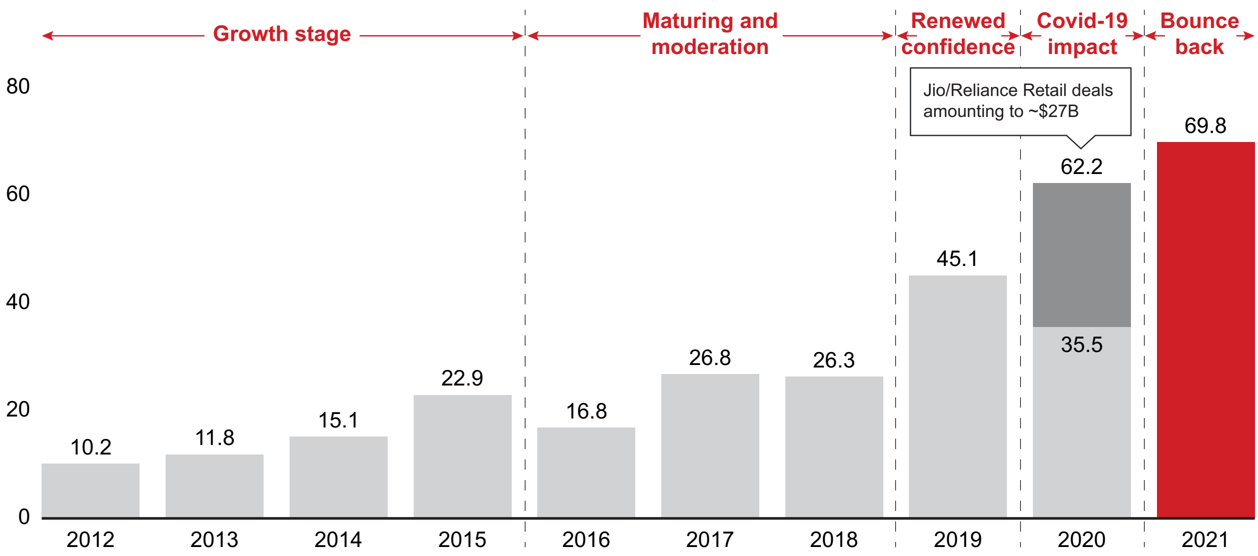
PE-VC investments global and by country ($B)



Notes: Includes real estate and infrastructure; only includes deals where value was known; India values for 2020 exclude Reliance Retail/Jio deals
Sources: Bain PE deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 3: PE-VC investments in India reached ~$70 billion, in a resounding bounce back from Covid-driven restraint

Annual PE-VC investments in India ($B)



Note: Includes real estate and infrastructure, private investment in public equity (PIPE), and venture capital (VC) deals
Source: Bain PE deals database

Figure 4: What stayed the same—Trends that continued to hold true

Strong deal flow

Deal volume accelerated with ~87% increase over the last year

VC deal volumes grew significantly, with 3 of 4 deals attributed to it as total deals crossed the mark of 2,000

High pace of VC/growth equity

India's expansion of VC/growth equity continues as investments grow from $10B to $40B

Traditional PE funds increasingly participating in growth deals

Large cheque sizes of investments

2021 saw 11 investments of more than $1B, in a significant uptick in large deal volumes

Consumer tech & IT drove significant value, seeing an expansion in average cheque sizes by 1.5x

LPs are participating in more direct or co-invest deals, improving access to capital for larger deals

Continuing momentum in consumer tech, IT

Consumer tech and IT attracted significant attention to reach ~$30B and ~$18B each in annual deal value

Both sectors grow by more than 200% YoY

Source: Bain analysis

Figure 5: What changed—Things that were different in 2021

APAC fund focus shifts from China to India

Rising geopolitical uncertainty in China and dwindling business sentiment increased India's share in the APAC market

Indian PE investments grew by 95% from 2020–21 vs. 23% in China

Surge in valuations

2021 saw high valuations, largely focused on forward looking growth in tech and internet businesses

IT/BPO saw 25%–30% increase over historical valuation multiples

$1B deals and exits both expanded

Strong exit momentum

2021 witnessed a tremendous growth in exits: ~$36B in 2021 vs. ~$9B in 2020

All routes of exit were attractive and grew significantly, public markets showed most growth in size of exit

ESG gained attention

ESG gained importance as funds increasingly included ESG as a part of their diligence process

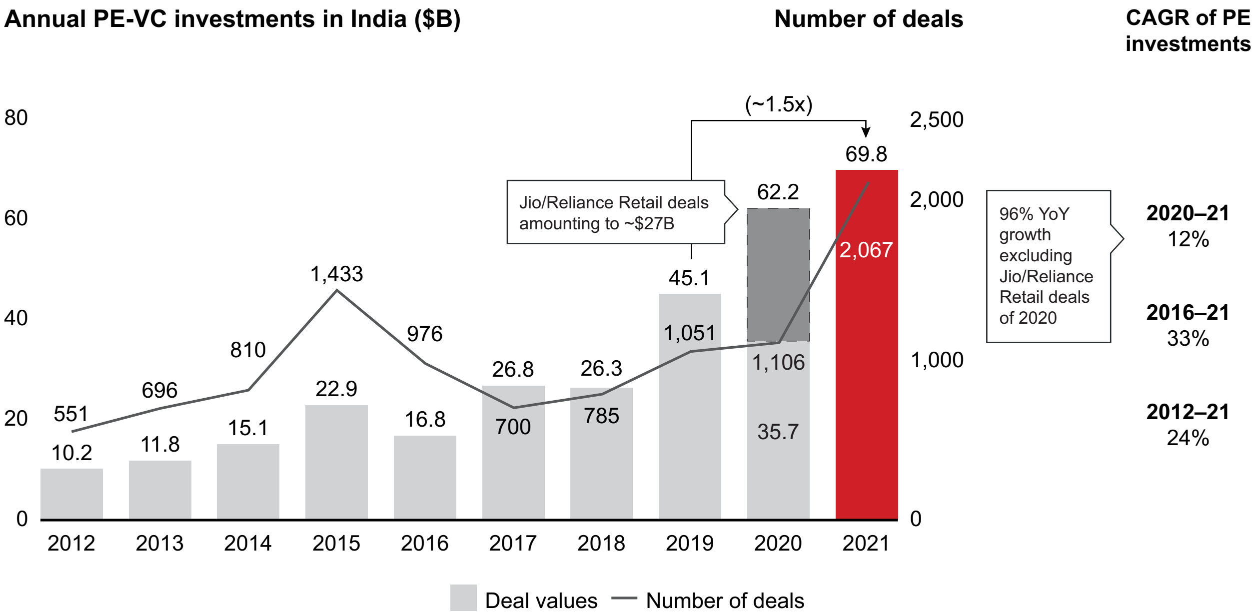
AUM for ESG funds rose from $275M in 2020 to $650M in 2021 in India—a jump of ~150%

Source: Bain analysis

Deals landscape: A year of milestones

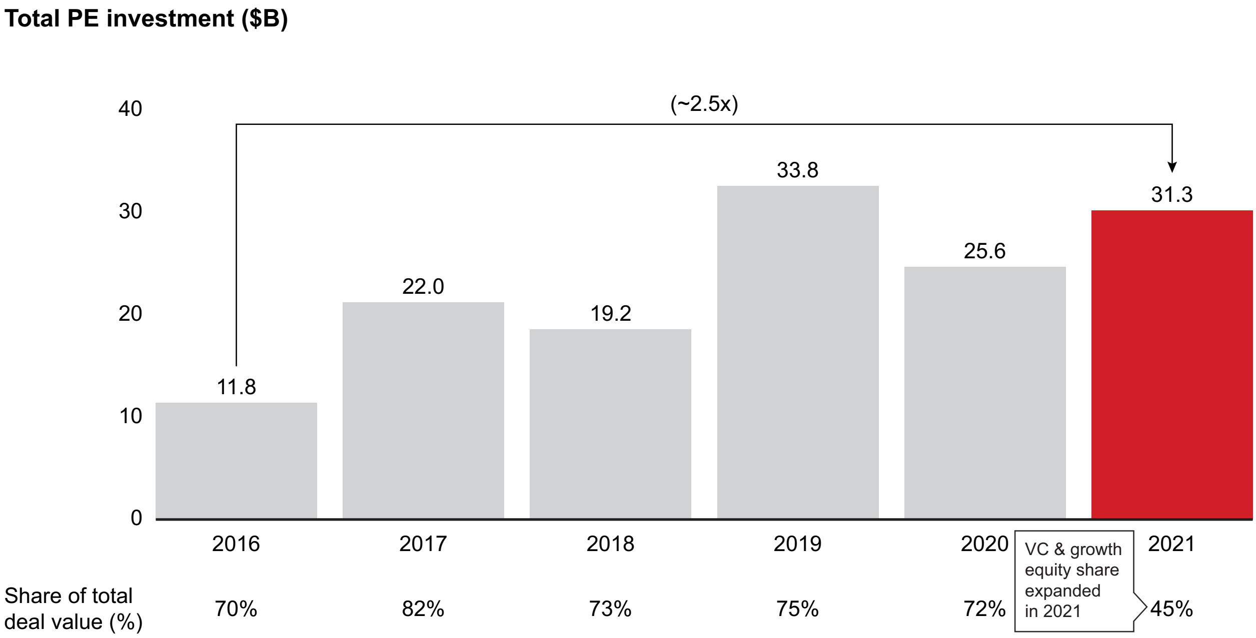
- PE-VC investments had a banner year in 2021 to reach an all-time peak of $69.8 billion, seeing a growth of 96% over the previous year's deal values, excluding the mega-investments of Reliance Retail and Jio Platforms.
- Deal volumes nearly doubled to 2,000 from an average of 1,100 deals over 2019 and 2020, with the growth in volumes contributing nearly 96% to the growth in deal value seen in 2021, with minimal contribution from deal size expansion.
- VC and growth equity zoomed 4x to reach nearly $40 billion—reaching a 55% share of overall PE investments.
- Buyouts also picked up further in 2021, crossing $16 billion in value, with a significant expansion in the size of cheques. However, the number of deals in 2021 was tempered compared to 2020.
- The volume of large deals (>$100M) expanded significantly, growing by 95%, while the average cheque sizes remained similar to the last year.
- In a significant step up, 11 investments greater than $1 billion were seen compared to 6 in 2020. The average value of the top 15 investments grew by 50% to $1.5 billion.
- Consumer technology and IT/ITES accelerated the momentum from the last year and accounted for greater than 60% of 2021's deal value. The growth witnessed in just the two sectors accounted for approximately $32 billion of the $34.1 billion growth in overall deal value.
- Consumer technology saw a surge in interest in VC and growth equity, with verticalised e-commerce, fintech, and gaming subsectors growing more than 5x. IT/ITES investments were driven by big-ticket investments in IT/BPO subsectors, with the top five deals accounting for about $10 billion in deal value.
- Traditional sectors such as RE & infra, manufacturing, energy, and telecom slowed down, seeing muted deal activity.
- Top funds stepped up their investment outlay from the moderation seen in the last year, and they increased the average size of deals.

Figure 6: PE-VC investments reached close to $70B, as deal volumes doubled



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

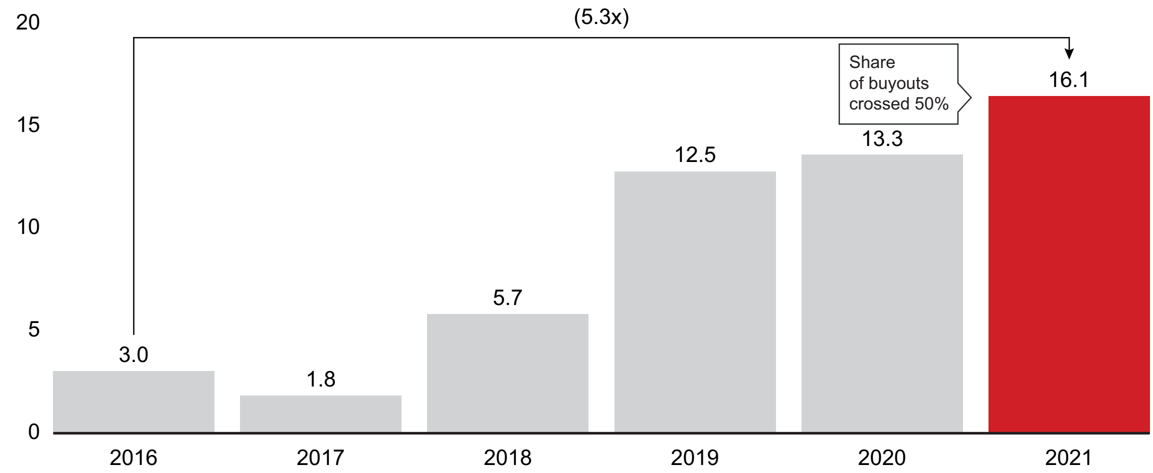
Figure 7a: PE investments strengthened to $31B in a steady growth in value



Note: Does not include VC deals; excludes Jio and Reliance Retail deals
Source: Bain PE deals database

Figure 7b: Buyouts continue to drive higher share of value within PE investments and expanded by 5x in that many years

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

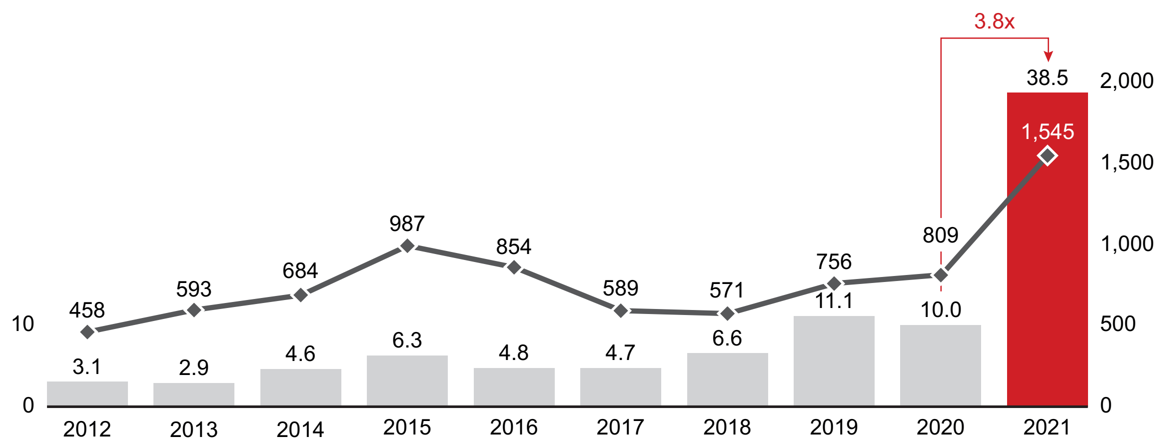


	2016	2017	2018	2019	2020	2021
Share of PE deal value (%)	25%	8%	30%	37%	52%	52%

Note: Does not include VC deals; excludes Jio and Reliance Retail deals
Source: Bain PE deals database

Figure 8: VC and growth equity reached ~$40B, riding on a ~4x growth after moderation in 2020

VC + Growth equity investments in India ($B)



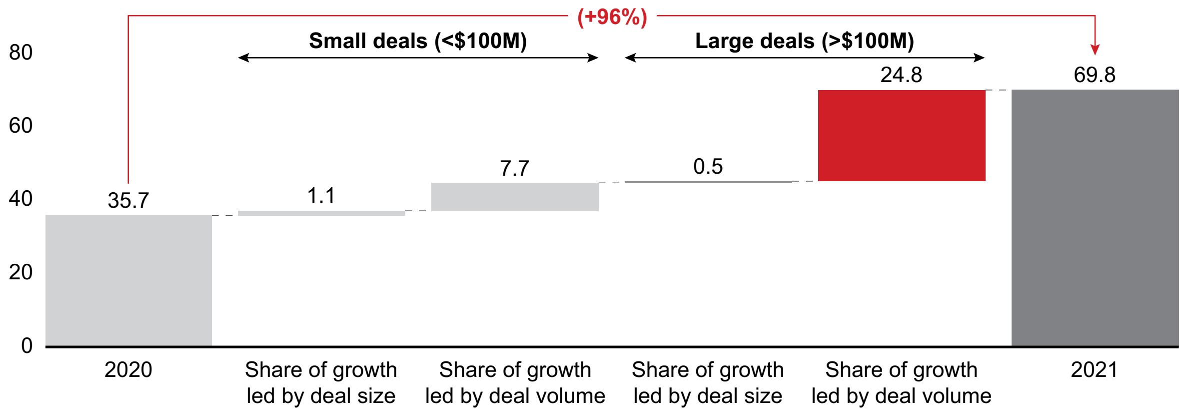
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Average deal size ($M)	6.7	4.9	6.8	6.4	5.6	8.1	11.5	14.7	12.4	24.9

Total deal value — Number of deals

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

Figure 9: Growth is primarily driven by acceleration in deal volumes, with more than 70% growth attributed to increase in large deals

Annual PE-VC investments in India ($B)

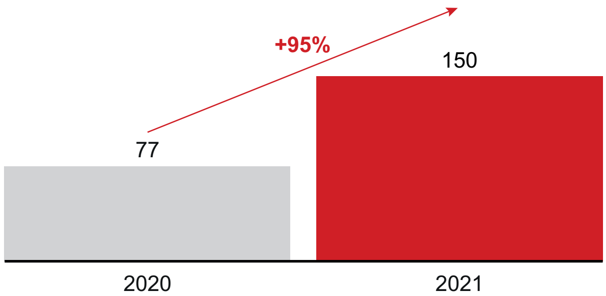


Growth contribution (%)	3%	23%	1%	73%	
Average deal value ($M)	37.2		8.4%		40.4

Notes: Excludes Jio and Reliance Retail deals (2020); deal volume and average deal value are for deals with a known value only
Source: Bain PE deals database

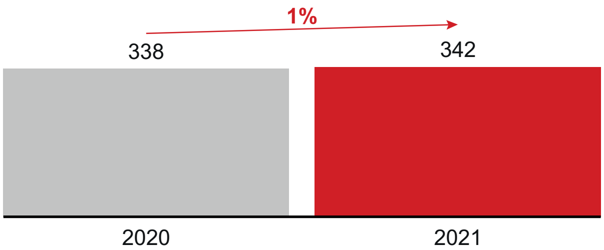
Figure 10: Acceleration in large deal activity in consumer tech and IT/ITES more than compensated for small declines in traditional sectors

Volume of >$100M deals across sectors



Sector	2020	2021	Growth
Consumer technology	24	79	↑ 229%
SaaS	7	14	↑ 100%
IT/ITES	3	10	↑ 233%
Healthcare	7	10	↑ 43%
BFSI	10	10	→ 0%
Real estate	6	7	↑ 17%
Energy	8	6	↓ −25%

Average deal size for >$100M deals across sectors ($M)

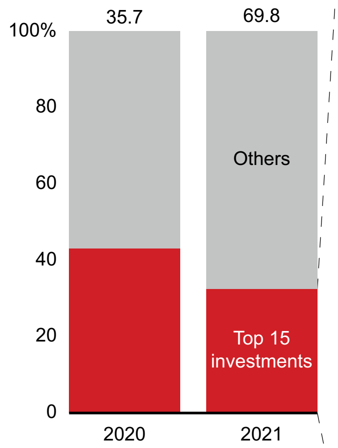


Sector	2020 ($M)	2021 ($M)	Growth
Consumer technology	214	305	↑ 43%
SaaS	128	162	↑ 27%
IT/ITES	1060	1118	↑ 5%
Healthcare	239	224	→ −6%
BFSI	191	303	↑ 59%
Real estate	774	323	↓ −58%
Energy	360	233	↓ −35%

Notes: Excluding Jio and Reliance Retail deals (2020); deal volume and average deal value are for deals with a known value only; largest sectors by value chosen for analysis
Source: Bain PE deals database

Figure 11: In a significant step up, 11 investments were greater than $1B, compared to 6 in 2020

Total PE Investments ($B)



	2020	2021
Avg. investment size—top 15 deals ($B)	1.0	1.5

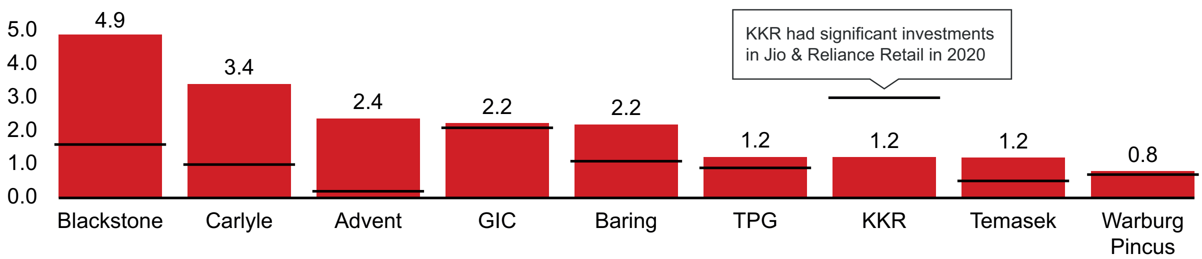
Company	Sector	Fund(s)	Value ($M)
Flipkart	Consumer technology	Antara Capital, Tencent, Qatar Investment Authority, CPPIB, SoftBank, Franklin Templeton, Tiger Global, GIC	3,600
Hexaware	IT & ITES	Carlyle	3,000
MphasiS	IT & ITES	Blackstone, ADIA, UC Investments, GIC	2,800
Encora	IT & ITES	Advent International	1,500
PharmEasy	Consumer technology	ADQ, Amansa Capital, ApaH Capital Management, IIFL Alternate Asset Advisors, B Capital	1,493
Byju's	Consumer technology	Arison Holdings, ARK Ncore, Asmaan Ventures, B Capital, Baron Capital, IIFL, Maitri Edtech	1,308
Dream11	Consumer technology	Alpha Wave Global, DST Global, D1 Capital Partners, RedBird Capital Partners	1,240
Hinduja Global Solutions	IT & ITES	Baring	1,200
Tata Motors EV	Manufacturing	TPG, ADQ	1,000
Straive	IT & ITES	Baring	1,000
ASK	BFSI	Blackstone	1,000
ShareChat	Consumer technology	Alkeon Capital Management, Temasek, Moore Strategic Ventures, India Quotient, HarbourVest Partners	913
ACT	Telecom	Partners Group	900
Meesho	Consumer technology	Footpath Ventures, Good Capital, B Capital, Prosus Ventures, Trifecta Capital, Fidelity, SoftBank	870
Cars24	Consumer technology	Alpha Wave Global, Tencent, Exor Seeds, Moore Strategic Ventures, DST Global, Alibaba	850

Investment size > $1B

Note: Does not include deals where the deal value is unknown; number of $1B+ deals exclude Reliance Retail and Jio deals (2020)
Source: Bain PE deals database

Figure 12: Top funds surpassed the previous year's outlay and many expanded average cheque size

India-focused PE investment by fund ($B)



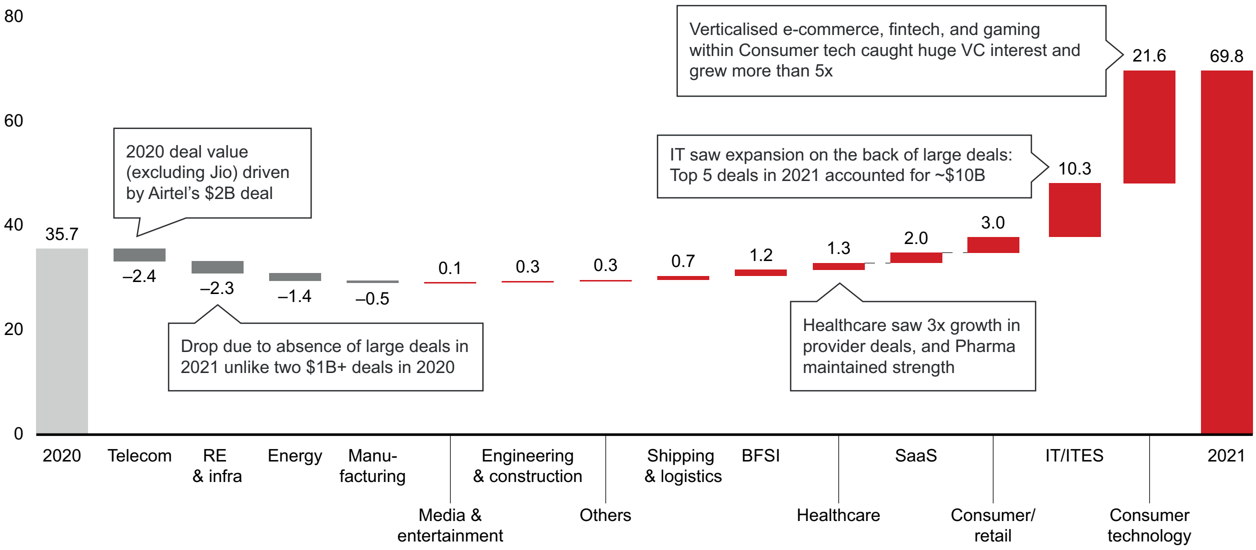
	Blackstone	Carlyle	Advent	GIC	Baring	TPG	KKR	Temasek	Warburg Pincus
Average deal size ($M) & YoY change	↑ 815	↑ 852	↑ 791	→ 171	↑ 1,100	↓ 111	↑ 116	→ 86	↑ 113
Top deals	Mphasis, ASK Group	Hexaware, Viyash Lifesciences	Encora, Eureka Forbes	Flipkart, IRB Infra-structure	Hinduja Global Solutions Straive	Tata Motors EV, Dream11	Vini Cosmetics, Lenskart	UpGrad, Ola Cabs	Ola Cabs, Parksons Packaging

Investment value in 2021 — Investment value in 2020 ↑ Increase → Stable ↓ Decrease

Notes: Includes transactions where deal value is known; total PE + VC investment considered; deal volumes are not additive because deals with multiple investors may be counted more than once across considered funds; in case of multiple investors in a given deal, deal value per investor has been calculated assuming equal split amongst the investors; TPG includes TPG Growth and TPG Capital
Sources: Bain PE-VC deals database; Bain analysis

Figure 13: Consumer tech and IT/ITES drove a significant portion of 2021's growth, with other sectors maintaining strength

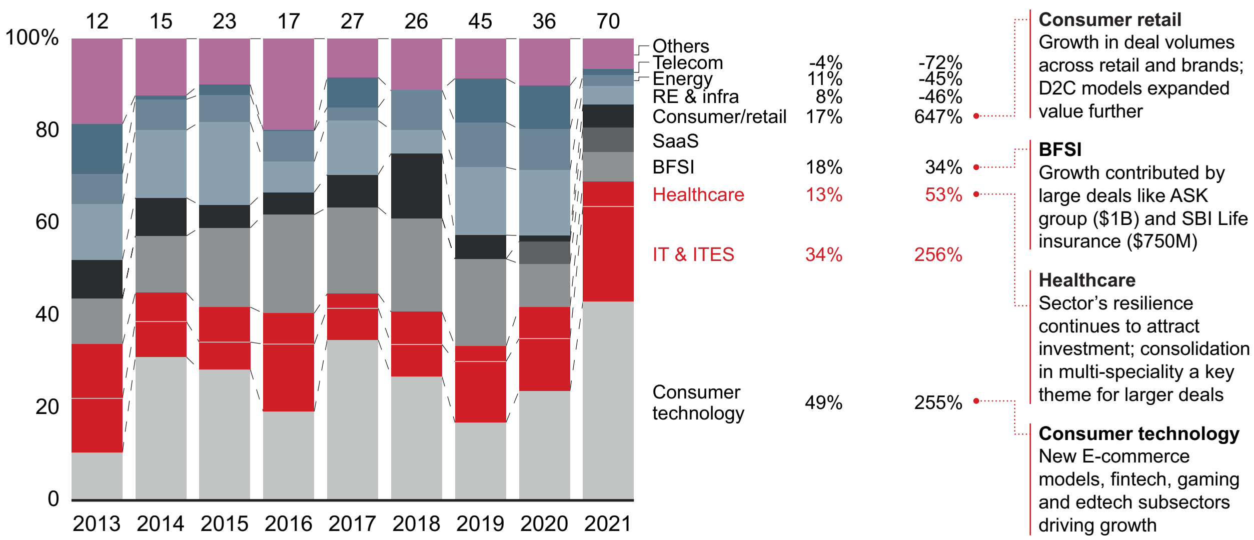
Total PE investment ($B)



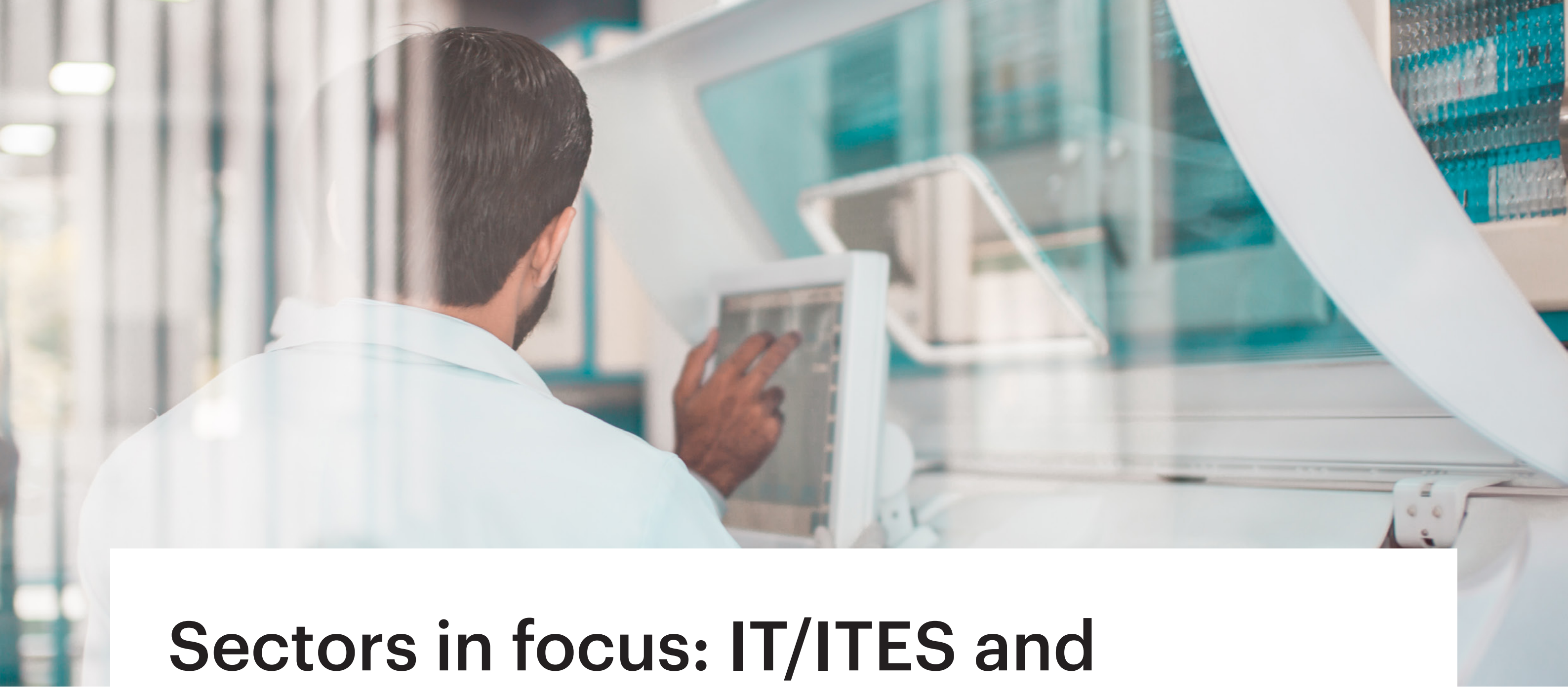
Notes: Only deals with a known deal value are included; excluding Jio and Reliance Retail deals (2020)
Source: Bain PE deals database

Figure 14: Consumer tech and IT/ITES drove more than 60% of the deal value in 2021

Annual PE investments by sector ($B)



Notes: Excluding Jio and Reliance Retail deals; others includes manufacturing, engineering and construction, media and entertainment, and shipping and logistics; SaaS deals covered under IT/ITES till 2019
Source: Bain PE deals database

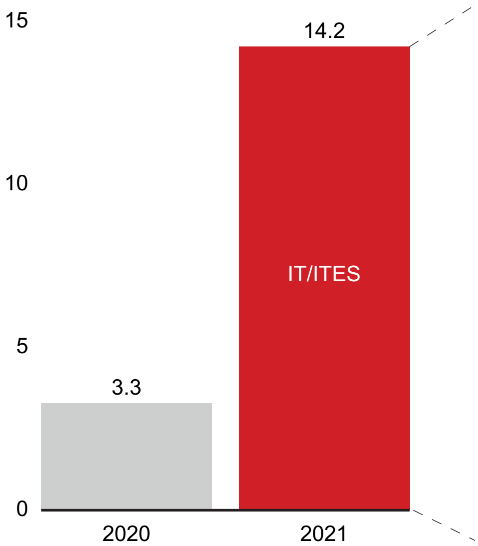


Sectors in focus: IT/ITES and healthcare—maturing ecosystems

- IT/ITES saw investments of $14.2 billion in 2021, growing by $11 billion over the previous year.
- PE investments in IT/ITES have grown from $2 billion to $12 billion in the past five years, and large deal volumes are increasing.
- In 2021, the sector saw five deals greater than $1 billion in a tremendous increase from the last two years that saw a single billion-dollar deal.
- The sector's attractiveness has picked up due to post-Covid shifts in business operations, the need for business continuity amidst uncertainties, and a pivot to digitally enabled models focused on improving unit economics. This has created increased demand for offshoring and outsourcing, automation and digital, and cloud services. The shifts are expected to last as the world embraces a "new normal" moving into the endemic phase of the pandemic, and IT promises to provide the backbone of these shifts.
- Valuations in IT saw a significant rise, with the large deals in ITES closing at 20–30x EBITDA multiples, much higher than historical multiples of approximately 15x and BPO reaching multiples of 13–14x, growing from the range of about 10x. The sector also continues to see significant buyout activity and accounted for nearly 40% of buyout deal value at almost 20% of buyout deal volumes over the last three years.
- Healthcare grew 1.5x in 2021, with providers growing 2x after the slowdown in 2020, and pharma maintaining the strength gained on the back of Covid-led expansion.
- Within provider, multi-speciality saw a 300%+ growth followed by diagnostics and single-speciality. The Manipal and Apollo deals drove a significant chunk of the deal value.
- Multi-speciality hospital deals are largely driven by scale and consolidation, as private players seek to dominate local presence and improve share of high-value cases. Platform play is also an emerging thematic area of focus.
- Single-speciality niches have proved mettle not only with customers but also with investors, as various asset-light, highly replicable models emerge in different clinical specialties and find scale.
- India's diagnostics market has been given a fillip by Covid, and diagnostic chains are expected to reap the growth with an expected growth over the next five years of close to 17%.

Figure 15: 2021 witnessed mega deals in IT services and BPO subsectors

Total PE-VC investment in IT/ITES ($B)



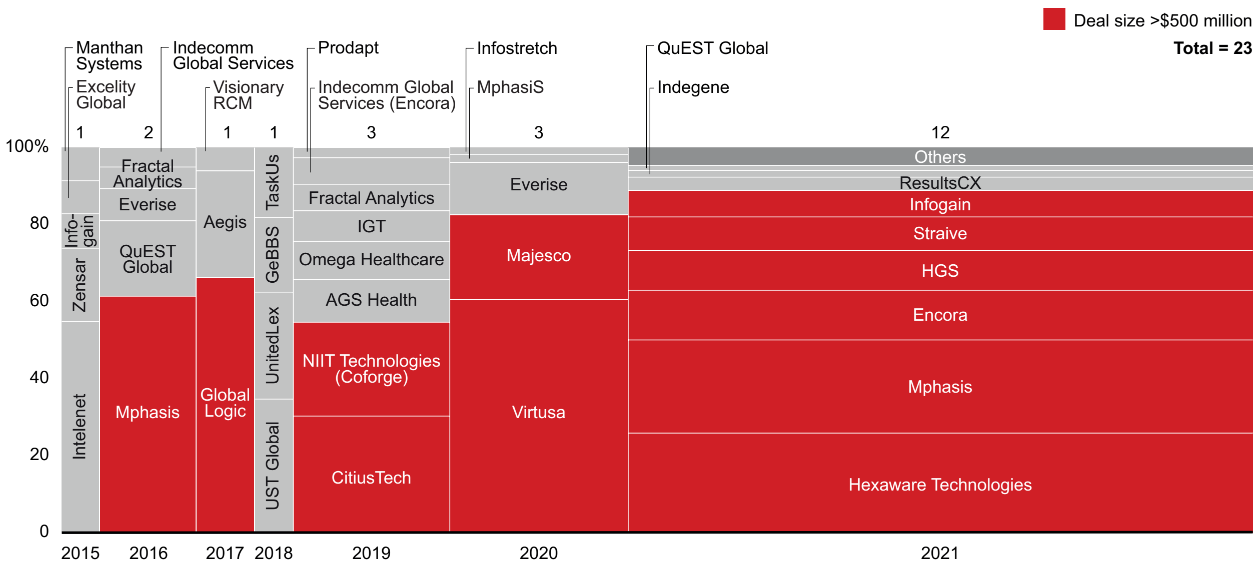
Top 10 deals in 2021

	Company	Investor firms	Value ($M)
IT services	**Hexaware**	Carlyle	3,000
	Mphasis	Blackstone Capital Partners Asia LP, Abu Dhabi Investment Authority, UC Investments, GIC	2,800
	Encora	Advent International	1,500
	Infogain	Apax Partners LLP	800
BPO	**Hinduja Global Services**	Baring Asia	1,200
	Straive	Baring Asia	1,000
	ResultsCX	ChrysCapital	400
	Indegene	Carlyle, Brighton Park Capital Management	200
PES	**QuEST Global**	TrueNorth, ChrysCapital, Others	150
Data center	**Sify Technologies**	Kotak Special Situations Fund	133

Note: Software/SaaS deals not considered
Source: Bain PE deals database

Figure 16: IT/ITES investments have grown from ~$2B to ~$12B in the past 5 years, and large deal volumes are increasing

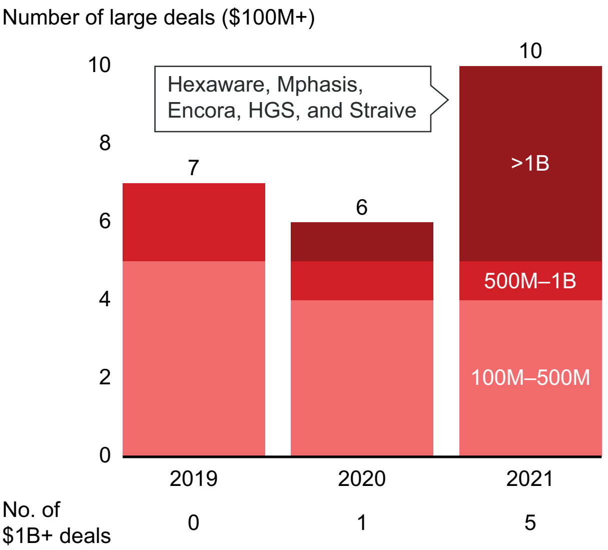
IT/ITES PE investments ($B)



Notes: Only deals >$50M considered for analysis; only deals with a known deal value have been included; VC, growth equity deals not included. IGT and Fractal Analytics investments closed in 2022
Source: Bain PE deals database

Figure 17: IT/ITES has seen an increase in both large deals and valuations in 2021

Large ($100M+) deals over the last three years



Key deals in 2021

Company	Subsector	Valuation (as a multiple of EBITDA)
Mphasis	IT services	16–18x
Hexaware Technologies	IT services	16–18x
Encora	IT services	23–25x
IGT Solutions	BPO	15–16x
Fractal Analytics	Analytics	25–30x

Valuations in 2021 higher than historical valuation range (IT services: ~15x; BPO: ~10x)

Notes: Software/SaaS deals not considered. PE deals only; VC, growth equity deals not included; IGT and Fractal Analytics investments closed in 2022
Sources: Bain PE deals database; Bain analysis

Figure 18: Pandemic-induced acceleration in digital transformation agendas for traditional business models has unlocked huge market opportunities

Business model disruptions

Modernisation of delivery models
Changes in customer preferences and disruption of physical commerce have increased focus on multi/omnichannel and D2C offerings

Remote working for business continuity
Shifts to hybrid working models likely to create longer-term sustained digital investment

Focus on unit economics through pivot to digital new age models
Greater focus on technology, cloud, and CX to compete with new-age cloud-native, digitally enabled players with better unit economics

Market opportunities

Shift to cloud infra: Driven by the need for creating digital-enabled businesses to leverage microservices-based modular development environments for increased agility in application development, deployment and maintenance

Data warehousing, vertical-specific AI/ML: Increased focus on collection/management of dispersed data, enabling adoption of AI/ML platforms targeted at vertical-specific use-cases (e.g., fraud detection, drug discovery)

CX transformation: Increased focus on multi/omni-channel/D2C offerings due to Covid-led disruptions in physical retail leading to investment in integrated CX

Automation: Increased investment in automation to set up workflows across several existing tools driven by need for risk management, cost control, and limited on-site staff

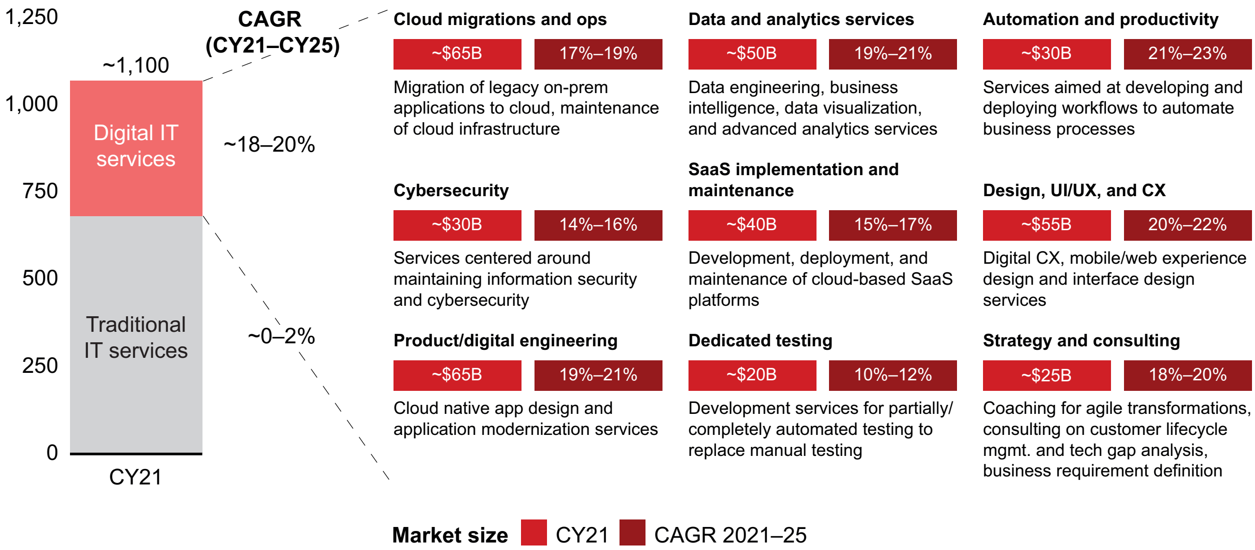
Outsourcing: Increased reliance on outsourcing due to growing talent crunch (due to surge in digital spend)

Offshoring: Increase in demand for near-shoring due to the need for time-zone alignment and agile engagements, and for multi-shoring as businesses look to de-risk their operations

Sources: Bain analysis; secondary research

Figure 19: Outsourced digital IT services can be divided into nine subsectors with large market opportunities

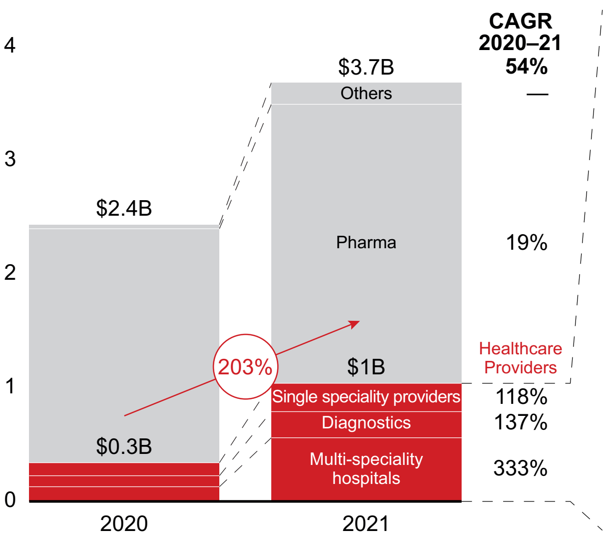
Global outsourced IT services spend ($B)



Sources: Bain Analysis; secondary research; industry participant interviews

Figure 20: Healthcare providers space rebounded in 2021 with 2x+ growth over 2020, driving the expansion in healthcare

Healthcare deals ($B)



Top deals in healthcare providers in 2021

Company	Subsector	Fund(s)	Value ($M)
Manipal Hospitals	Multi-speciality hospitals	NIIF Strategic Opportunities Fund	286
Apollo Hospitals	Multi-speciality hospitals	Sands Capital Management	224
Pristyn Care (GHV Advanced Care)	Single-speciality providers	Epiq, Sequoia Capital, Tiger Global, etc.	149
Glocal Healthcare	Multi-speciality hospitals	UpHealth Holdings	40
Sterling Accuris	Diagnostics	Morgan Stanley	34
Cloudnine	Single-speciality providers	NewQuest	27
NephroCare	Single-speciality providers	IIFL Asset Management, Investcorp, etc.	24
DCDC Kidney Care	Single-speciality providers	Asian Development Bank (ADB), Danish SDG Investment	21
MedGenome	Diagnostics	International Finance Corporation	17

Notes: Single-speciality providers include out-of-hospital formats as well; others include medical devices, pharmacy, health insurance, commercialisation services, etc.
Source: Bain PE deals database

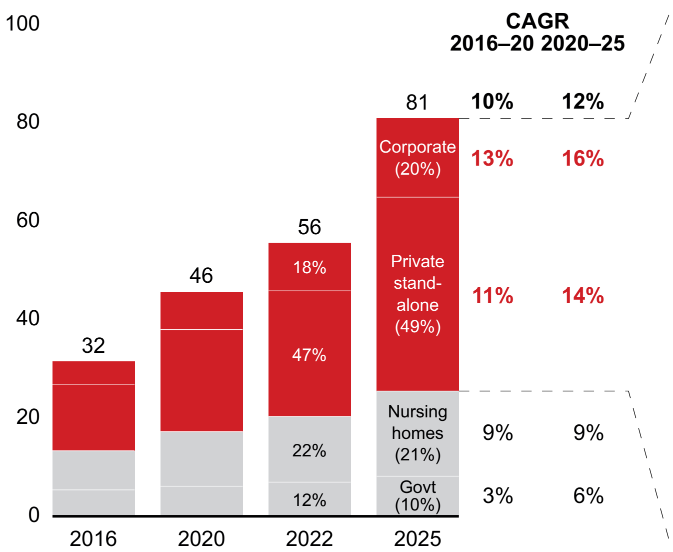
Figure 21: Investments in healthcare delivery are driven by five discernible themes

Theme	Description	Subsectors	Key deals in recent years
Scale through consolidation	Market share growth through acquisition of smaller chains or standalone players	Multi-speciality hospitals, diagnostics, out-of-hospital formats	**Manipal Health—NIIF Strategic opportunities Fund ($286M):** Manipal drives consolidation in Bengaluru through acquisition of the Columbia Asia hospitals chain
Niche speciality play	State-of-the art, differentiated care for select high-growth specialties, such as cancer, women-and-child	Single-speciality providers	**Cloud Nine—NewQuest ($27M):** Boutique mother and child play for customers seeking standalone, high-quality care
Out-of-hospital formats	Asset-light and conveniently accessible networks in outpatient and day care specialties, such as fertility, renal, dental, eye care	Single-speciality providers	**DCDC Kidney Care—ADB, Danish SDG ($21M):** Standalone dialysis centres bring quality dialysis closer to patients **Dr. Agarwal's Eye Hospital—Temasek ($38M):** Chain of eye care centres deepening access to treatments
High-end speciality diagnostics & AI	Gene sequencing, precision diagnostics, etc., for evidence-based specialized diagnosis	Diagnostics	**LifeCell—OrbiMed ($35M):** Play in high-end stem cell banking and gene testing space **MedGenome—IFC ($17M), LeapFrog ($55M):** Provides genetic testing for rare diseases
Platform play	Multiple niche offerings to build scale and improve operational efficiencies under a single holding company	Pan-sector	**Asia Healthcare Holdings—GIC ($170M):** Operates Motherhood (boutique birthing and gynaecology services) and Nova IVF (fertility treatments)

Sources: Bain PE deals database; Bain analysis

Figure 22: Growth in multi-speciality hospitals is driven by corporate and private stand-alone players, which better fulfil growing demand for quality care and complex treatments

India hospitals market size ($B)



Key growth drivers for private multi-speciality players

Demand for quality at a premium
- Patients have higher ability to pay due to rising incomes and insurance coverage
- Patients and caregivers exhibit greater quality seeking behaviour, especially post-Covid-19
- Private, corp. hospitals perceived as better quality choices

Growth in tertiary care
- With the ageing population growing at 2.5x the growth rate of total population, demand for tertiary treatments is expected to increase
- Specialties such as onco, gastro, neuro, renal growing fastest; dominated by private chains in major cities

Increasing share of complex cases
- Rising share of complex cases, cutting-edge procedures in hospital mix improving ARPOB and rationalizing costs
- Referral networks with regional hospitals enabling a feeder system for complex cases for multiple specialties

Medical tourism as an established value driver
- Growing at 18% CAGR pre-Covid-19; medical tourism expected to recover fast with easing of restrictions
- South Asia, MENA remain undersupplied, while Indian hospitals are priced lower
- Corporates offer end-to-end, curated packages for international patients

Notes: Hospitals includes both multi-speciality and single-speciality hospitals; ARPOB—average revenue per occupied bed
Source: Bain analysis

Figure 23: Single-speciality formats are developing great product-market fit and are attractive for investors

Segment	Format USP for patients	Segment drivers	Key deals in recent years
Mother & child	Seamless maternal and childcare from pre-pregnancy to paediatrics, customised patient pathways and "high-frill" hospitality	View of pregnancy as wellness instead of illness and childbirth as a planned event	• **Cloud Nine—NewQuest** ($27M) • **Ankura Hospitals—InvAscent** ($10M)
Oncology	Deeper therapeutic focus and best-in-class clinical protocols	Growth in incidence of cancer, expanding insurance coverage, regular screening and diagnosis leading to timely interventions	• **Cancer Treatment Services International—Varian Medical Systems** ($283M)
Eye care	Easier access and convenience for regular check-ups and corrective procedures	Ageing population, rising incidence of allied ailments such as diabetes, expansion of cosmetic procedures such as LASIK	• **ASG Eye Hospitals—Foundation Holdings** ($43M) • **Dr. Agarwal's Eye Care – Temasek** ($38M)
IVF	Dedicated centres using the latest technologies from diagnosis to procedure while prioritizing privacy	Rising age of marriage, improved technology and affordability of procedures, increased awareness and acceptance, lowering of stigma	• **IVF Access—Vertex Ventures** ($5M) • **Indira IVF—TA Associates** (undisclosed)
Dental care	Accessible dental care and latest technologies or procedures in standardized delivery formats with hyperlocal presence	Awareness and accessibility of dental care, innovative payment models, technology at scale improving affordability	• **Dentzz—Helix Investments** ($7M) • **Toothsi—Think Investments** ($25M)

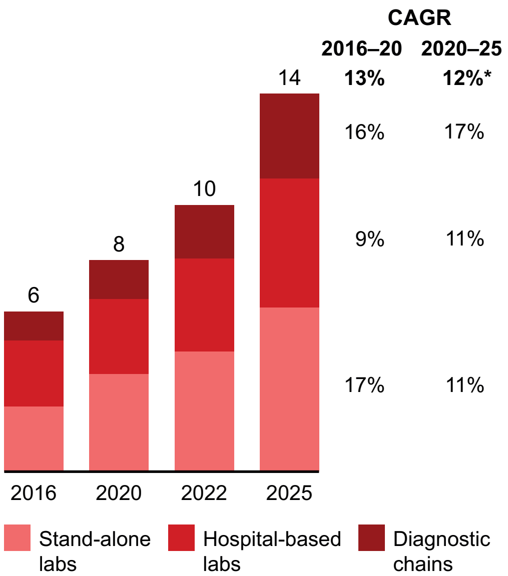
Single-speciality provider space is emerging as an attractive space for investors, with:

Lower capex	Shorter break-even, enabling quicker exits	Higher return on capital employed (ROCE) than multi-speciality hospitals	High scalability and replicability

Source: Bain analysis

Figure 24: An already expanding segment pre-Covid-19, diagnostics has picked up pace with various complementary trends driving growth

India diagnostics market size ($B)



Key growth drivers for Indian diagnostics

Focus on evidence-based medicine	• Doctors are increasingly adopting standard testing and treatment protocols, before prescription
Increasing lifestyle-based NCDs	• Increasing populations affected by chronic diseases and NCDs require frequent testing at periodic intervals
Focus on health & wellness	• Growing awareness and focus on health—further accelerated by Covid-19 • Increased ability and willingness to pay for health and wellness
Advanced diagnostics	• Diagnostic chains investing in high-end diagnostics portfolios, equipment, and procedures
Increased supply and competitive pricing	• Many organised and unorganised players in routine diagnostics providing ample hyperlocal coverage • Players offering heavy discounting, low-cost wellness packages to compete, driving test volumes • Expansion into tier 2/3 towns picking up
Covid-19-driven home test volumes	• High adoption of at-home sample collection and digital reporting for both Covid-19 tests and routine diagnostics provides base volumes

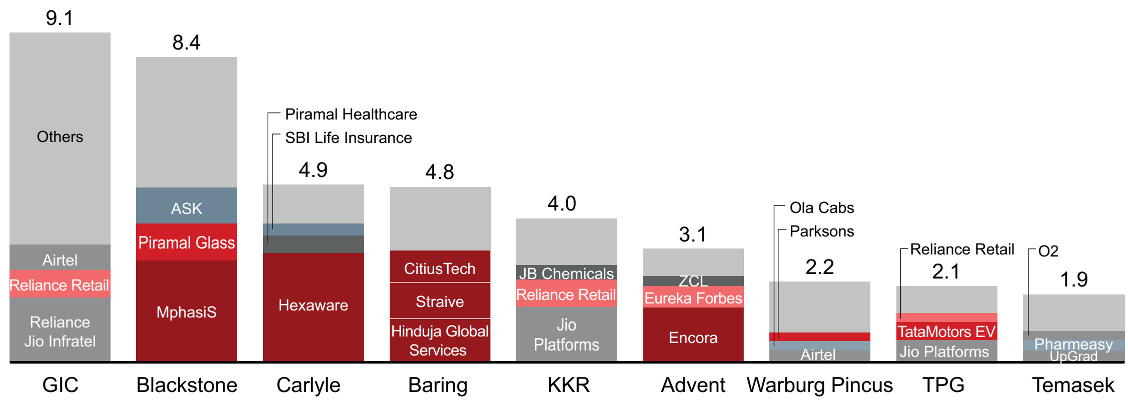
* Diagnostics includes radiology and pathology
Note: NCD—Non-communicable diseases
Sources: Bain analysis; CRISIL

Fund landscape: An evolving investor ecosystem for value creation

- Top 10 funds have invested close to $43 billion in India in the last three years. The largest deals from these investments are in IT/ITES and telecom (largely in Jio Platforms and Airtel).
- Major LPs are getting more active and co-investing with GPs on large assets. 2021 saw 2x activity from LPs compared to their average deal activity across 2018–2020.
- The increase in LP participation in deals bodes well for PE in India as it unlocks access to larger deals with a shared risk for investors and allows a win-win for both GPs and LPs.
- The quantum of buyouts has been picking up, with a 5x growth in the last five years to reach $16 billion. In 2021, 46% of all PE deals were buyouts, compared to 33% in 2016. The average buyout deal value has expanded 3x to reach nearly $900 million in 2021.
- Blackstone, Baring, Carlyle, Advent, GIC, and KKR are most active in buyouts and have individually deployed more than $1 billion in taking majority control of firms in the last three years.
- The expansion in buyouts coupled with larger valuations is leading to a higher emphasis on value creation through operational turnarounds, for which funds are setting up internal operations teams.

Figure 25: Top funds have invested close to $40B in India in the last three years with the largest investments in IT/ITES and telecom

Total investments per fund in 2019–2021 ($B)



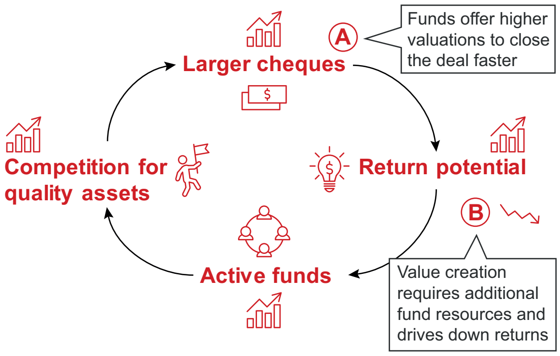
	GIC	Blackstone	Carlyle	Baring	KKR	Advent	Warburg Pincus	TPG	Temasek
No. of deals	34	17	10	7	15	12	22	17	23
Average deal value ($M)	268	495	463	690	264	256	100	123	81

Consumer/retail | Manufacturing | IT/ITES | Telecom | Healthcare* | Consumer tech | BFSI | Other

Notes: Includes transactions where deal value is known; total PE + VC investment considered; deal volumes are not additive because deals with multiple investors may be counted more than once across considered funds; in case of multiple investors in a given deal, deal value per investor has been calculated assuming equal split amongst the investors; TPG includes TPG Growth and TPG Capital
Sources: Bain PE deals database; Bain analysis

Figure 26: In a maturing investment ecosystem, certain trends are leading to changes in the traditional fund model

Indian PE's attractiveness is becoming its bane: attracting competition, increasing valuations, and eroding return potential



1 Attractive returns have induced more players to enter, thus, increasing competition for quality assets

2 The increased competition has induced funds to offer larger cheques and hence started to pull the returns down

3 A balancing cycle on returns is in place in the Indian PE market

As a result, funds are experimenting with new strategies to maintain competitiveness and capture share

(A) Faster deal sourcing and execution

- **Deeper relationships with portfolio companies:** funds have deeper relationships with targets or portfolio companies (follow-on rounds), closing deals faster with clearer view on assets
- **Sectoral focus:** funds leveraging deeper sector understanding for a strategic view on asset performance

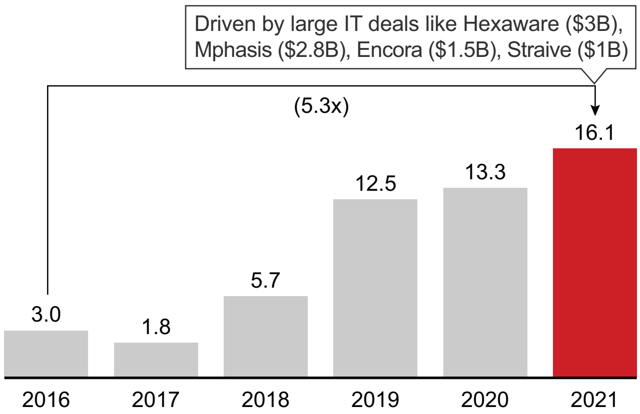
(B) Improved value creation

- **Buyout deals for increased control:** funds seeking full control over assets to realise ambitious targets
- **Setting up portfolio support teams:** funds are looking to step in on Day 1 with a view on value creation or operational turnarounds
- **Sectoral expertise:** funds are bringing their A-teams to capture a large share of a sector's growth trajectory

Sources: Expert interviews; Bain analysis

Figure 27: Funds are exhibiting preference for buyouts in PE and directing more capital toward control over quality assets

5.3x increase in buyout value over last 5 years
Total buyout deal value ($B; $100M+ PE deals only)



	2016	2017	2018	2019	2020	2021
Avg. buyout deal value ($M)	332	259	381	379	579	896
No. of buyout deals	9	7	15	33	23	18

Note: Only $100M+ deals considered, does not include VC deals
Source: Bain PE deals database

Key insights

46% **of PE deals are buyouts, growing** from 33% since 2016

~3x **~3x growth** in **average buyout deal value** from 2016–21

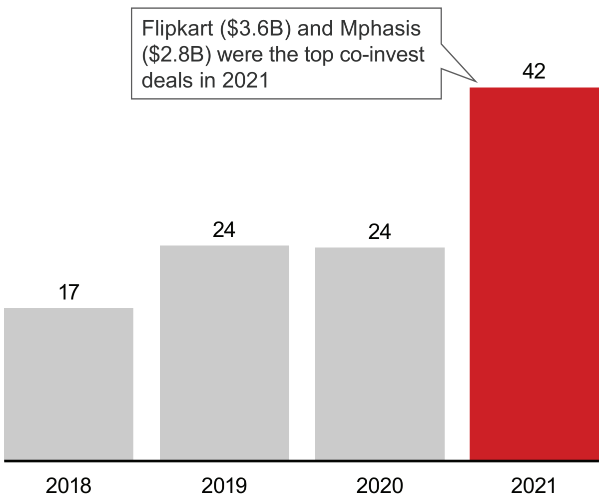
IT/ ITES has seen the most buyout activity at ~40% of total buyout value and ~20% of total deal buyout volume for the last 3 years

$1B **6 funds deployed more than $1B each** in buyouts over the last 3 years—Blackstone, Baring, Carlyle, Advent, GIC, and KKR

Figure 28: LPs are becoming more active exploring co-investing with GPs

Significant increase in number of deals by major LPs

Number of deals by large LPs*



Note: *LPs considered are GIC, AIDA, ADG, QIA, Temasek, CPPIB, CDPQ
Sources: Bain PE deals database; expert interviews

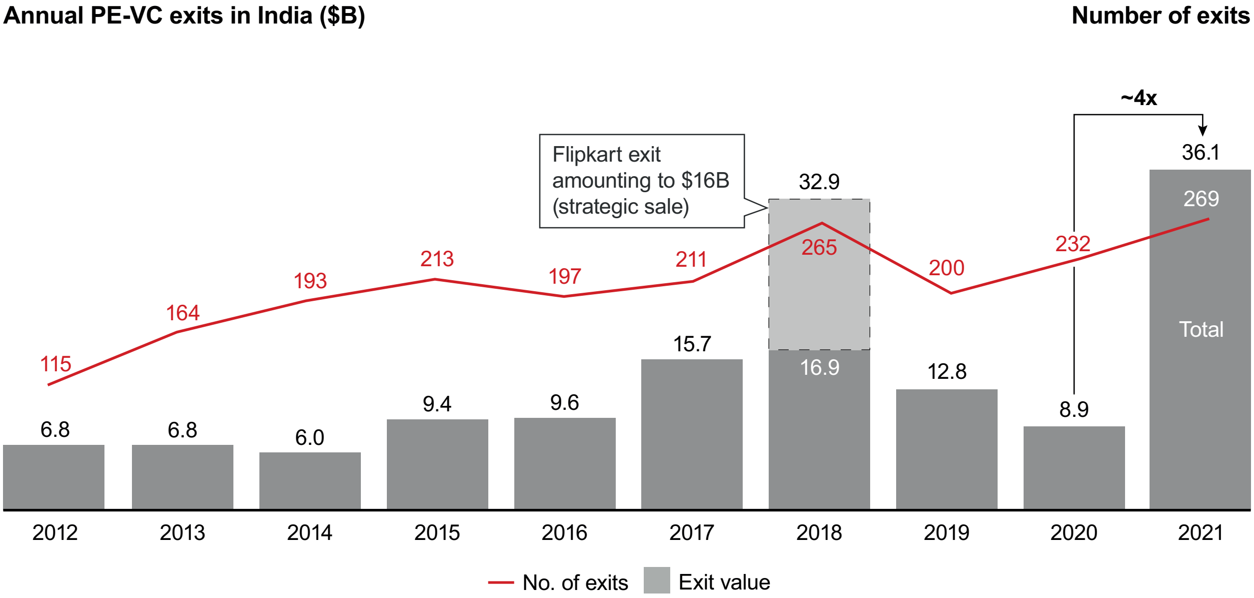
Co-invest offers win-win for both GPs and LPs

Large ticket transactions	Co-invest enables funds to participate in deals with large cheque sizes, earlier inaccessible, by pooling resources
Access to attractive deals	Access to large assets unlocks attractive/superior returns on capital compared to deals involving smaller assets
Shared risk	GPs bear a lower risk by sharing a part of the deal value with an LP
Leveraging GP strength at no cost	LPs gain access to GP strength in diligencing at no additional cost

Exits: Hitting the peak

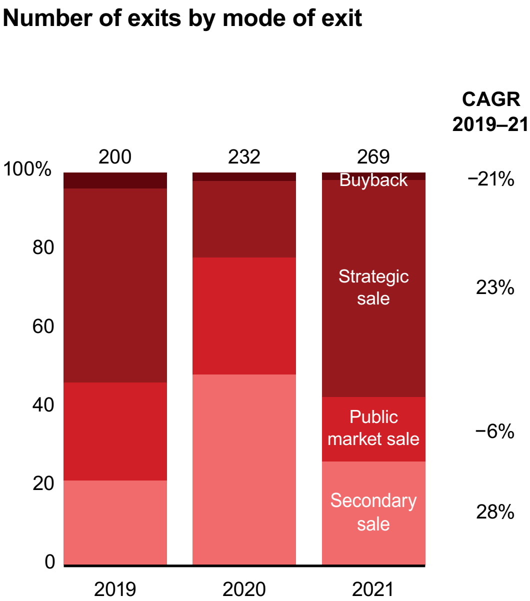
- Exits were at an all-time high in 2021, picking up rapidly from the past year's lull across all routes of exit. 2021 saw more than $36 billion in exits, quadrupling the value over 2020's approximately $9 billion. Even though the exit sentiment was muted in the second quarter of 2021 owing to India's devastating second wave of Covid, H2 saw a flurry of activity, especially in IPOs and other public market sales.
- Exits of >$100 million nearly tripled in volumes and grew by 69% in size, as all sectors witnessed an acceleration in exits and exit value.
- Strategic sale continues to be the most dominant route of exit, with almost 50% of all exits over the last few years. Secondary sale and strategic sale are becoming the most preferred exit routes, expanding by 28% and 23% respectively each year, over the last three years.
- The size of exits grew significantly faster than the exit volumes, indicating higher valuations. Public markets are also showing an appetite for large exits, with an average size of exit reaching $266 million, at a CAGR of 95% since 2019.
- Fund portfolios looked much younger by the end of 2021 than at the beginning of the year, in a testament to the pace of both deal making and exit activity.
- The average size of top 10 exits increased fourfold to nearly $2 billion, and 9 exits surpassed $1 billion in value. BFSI and consumer technology dominated as the top industries for exits.
- Exit returns increased by 1.2x to 5.6 in 2021 driven by high multiples on invested capital and large volume share of consumer technology, IT/ITES, and BFSI exits, like the last year.
- Exit momentum is expected to continue this year, but the public market sentiment will see moderation even though a strong future IPO pipeline led by BFSI and consumer tech awaits.

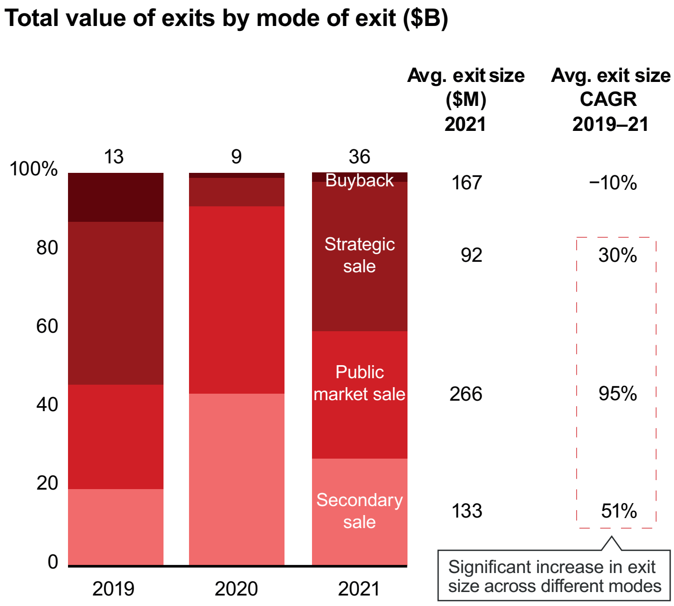
Figure 29: Exit value crossed $36 billion in a bumper year with a 4x jump over 2020 and a 2x rise over decadal high (excluding Flipkart mega exit)



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

Figure 30: Strategic sale continues as the dominant mode of exit, while size of exits expanded across all routes

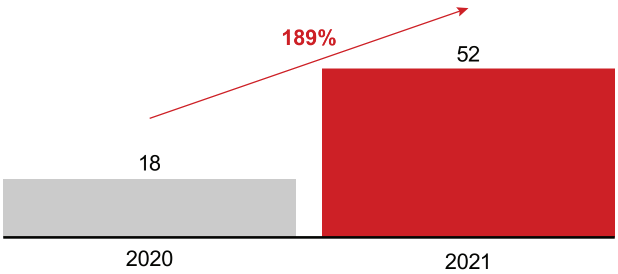




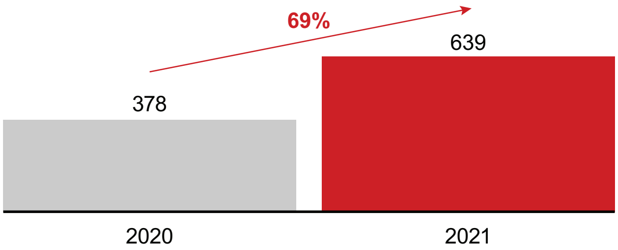
Notes: Includes real estate and infrastructure exits; no filter on exit value has been applied to the overall figures; excludes one unspecified exit; number of exits includes deals where the exit value is not known; for Reliance investments, considered only M&A, JV, and corporate deals
Sources: Bain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

Figure 31: Large exit volumes almost tripled and exit size expanded across sectors, reflecting the buoyancy of the market

Volume of >$100M exits across sectors



Average exit size for >$100M exits across sectors ($M)



Sector	2020	2021	Growth
Consumer technology	4	13	↑ 225%
BFSI	4	8	↑ 100%
Manufacturing	1	6	↑ 500%
IT & ITES	2	6	↑ 200%
Healthcare	1	5	↑ 400%
Consumer/retail	1	3	↑ 200%
Telecom	1	3	↑ 200%

Sector	2020 ($M)	2021 ($M)	Growth
Consumer technology	188	1044	↑ 455%
BFSI	499	815	↑ 48%
Manufacturing	253	149	↓ −41%
IT & ITES	285	631	↑ 122%
Healthcare	132	334	↑ 153%
Consumer/retail	220	321	↑ 46%
Telecom	225	501	↑ 123%

Notes: Exit volume and average exit value are for exits with a known value only; biggest sectors chosen for analysis
Source: Bain PE exits database

Figure 32: Moving forward from a bumper year for exits, the outlook stays optimistic, but slight moderation expected in the near term

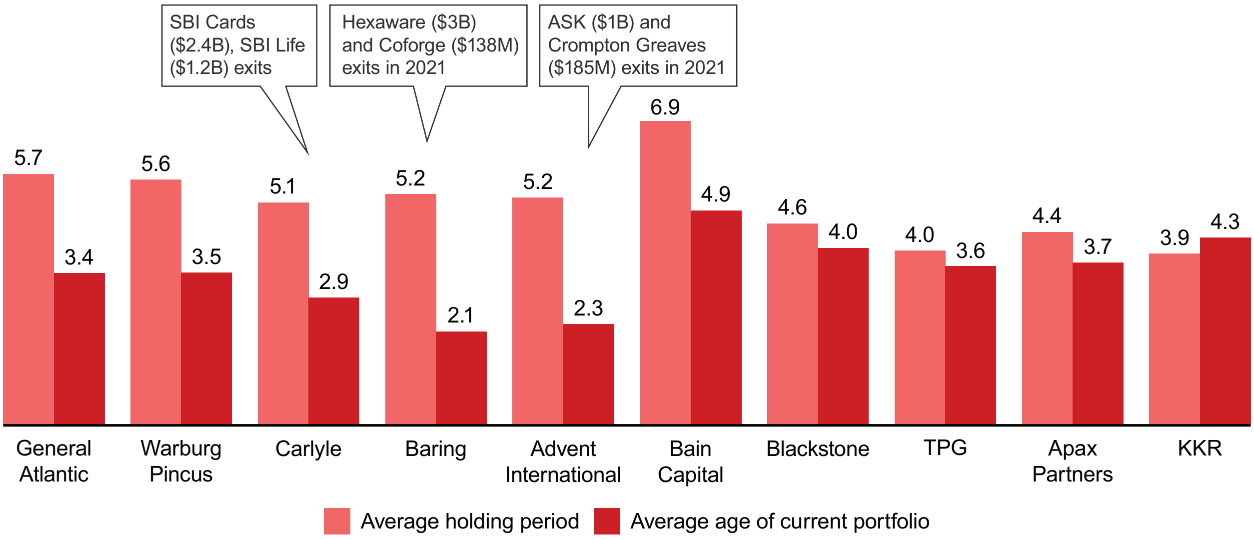
Deal type	Key trends	Drivers for 2021	Outlook for future growth
Secondary sales	**Deepening of PE market (across funding needs)** **Increase in fund diversity**	↑ • Number of **active PE funds and LPs picking up**, broadening avenues for secondary sales • **Price certainty** in secondary sales vs. public exits	↑ • **Expanding interest from global investors** in mature and growth equity assets • Portfolio **holding periods to further shorten** as faster exits are made possible • **Focus on better unit economics** and monetization approaches against purely growth metrics increasing investor interest
Public markets sales	**Encouraging retail investor appetite for new-age business models** **Evolving SEBI norms on listing and ESG**	↑ • **High valuations** focused on future growth allowed successful listings like Zomato, Paytm, Nykaa, etc. • **SEBI's shift in stance** on allowing loss-making companies to list on public exchanges • **Improved liquidity** in public markets due to low interest rates across developed markets	→ • Public markets expected to be **muted in the near term**, as global uncertainties create volatility • Pipeline of IPOs likely to adopt a **wait-and-watch approach** and delays in listing likely • **Valuation multiple compressions** in US public markets expected to trickle into some sectors • **Adoption of ESG mandates** will influence pace
Strategic sales	**Emphasis on acquisition of digital/tech capabilities** **Avenue for consolidation and market access**	↑ • **Strategic focus to scale rapidly** in a recovering economy • Focus on **acquiring advanced capabilities** like AI, analytics	→ • Mid-term slowdown in markets to restrain pace of activity as **cash becomes scarce** • Continued **step up efforts by market leaders to deepen market access and digital capabilities** through inorganic expansion/consolidation

↑ Increase → Stable ↓ Decrease

Sources: Bain PE exits database; expert interviews; Bain analysis

Figure 33: Fund portfolios look much younger due to the pace of deals and exits

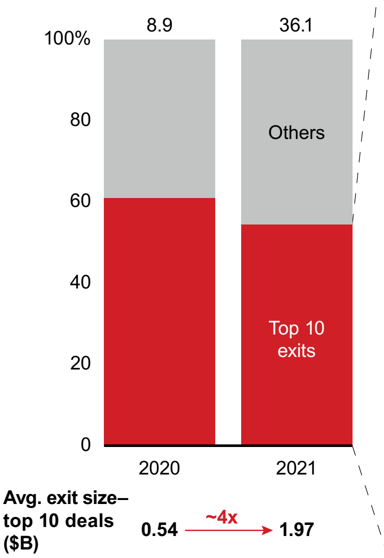
Average holding period and portfolio age of leading PE funds (in years)



Notes: Average holding period and age of current portfolio calculated using simple average; exit portfolio based on select major deals (>$10 million) between 2012 and 2021; portfolio age calculated only for deals with known value above $10 million; for chart, selective PE funds considered
Sources: Bain PE deals database; Bain analysis

Figure 34: Nine exits surpassed $1 billion in value and the size of top exits quadrupled

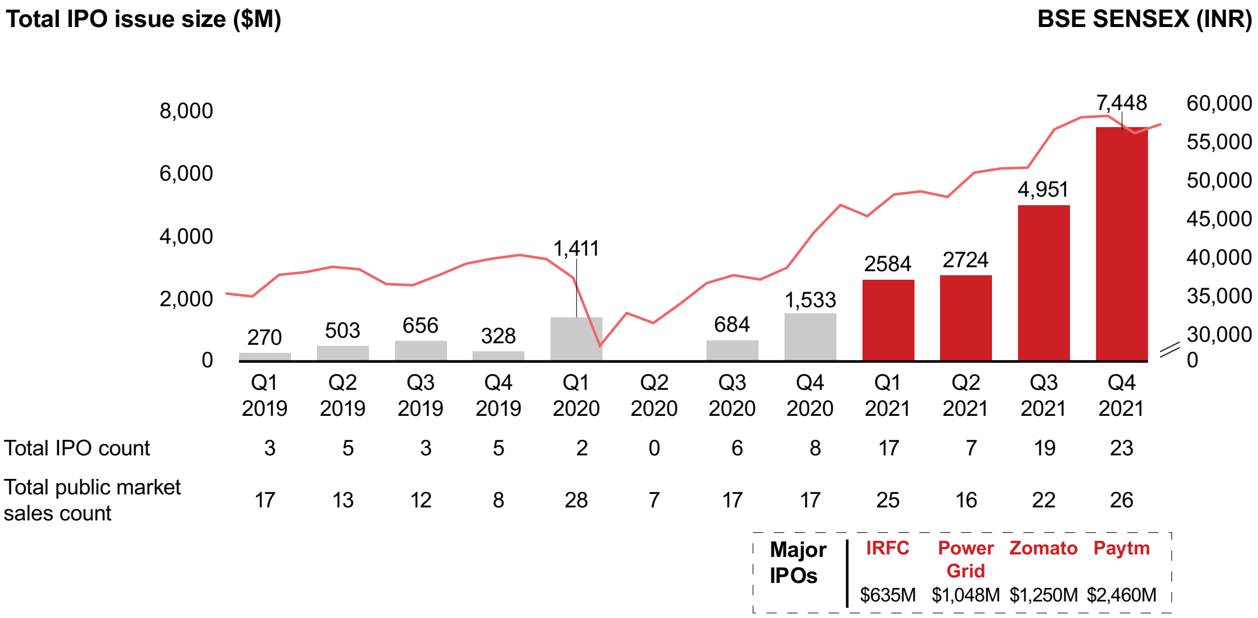
Exits by transaction size ($B)



Target	Exiting firms	Sector	Value ($M)	Route
Billdesk	Clearstone Venture Partners, State Bank of India, General Atlantic Investment Partners	Consumer technology	4,700	Strategic sale
Hexaware	Baring Asia	IT & ITES	3,000	Secondary sale
PayTm	Discovery Capital, D1 Capital Partners, K2 Venture Capital, Ant Financial, Others	Consumer technology	2,462	Public market sale
Fullerton India Credit Company	Fullerton Fund	BFSI	2,000	Strategic sale
SBI Life Insurance	Carlyle Asia Growth Partners, BNP Paribas India	BFSI	1,450	Public market sale
BigBasket.com	Actis Capital, Alibaba Group Holding Ltd., Ascent Capital, BigBasket.com	Consumer technology	1,303	Strategic sale
Zomato	Info Edge	Consumer technology	1,252	Public market sale
ReNew Power	Abu Dhabi Investment Authority, CPP Investment Board, Goldman Sachs	Energy	1,200	Public market sale
ASK Investment Managers	Advent Global	BFSI	1,000	Secondary sale
SBI Cards and Payment Services	Carlyle Group	BFSI	958	Public market sale

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

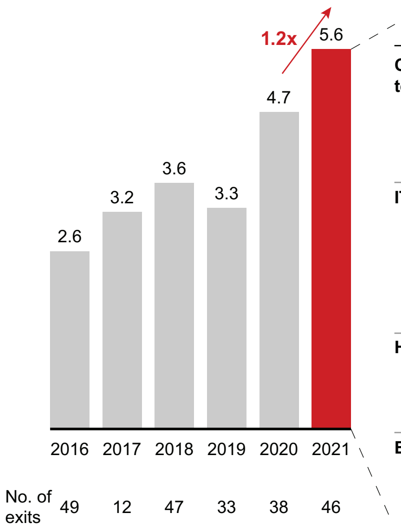
Figure 35: Public markets were buoyant in Q4 of 2021, enabling great listing gains for IPOs and other public market sales



Notes: Only mainline IPOs (post-issue paid-up capital >INR100 million) have been included in analysis; total public market sales count refers to the total number of public exits that happened through IPO or post-IPO; includes all IPOs seen on major Indian stock exchanges (2021)
Source: Bain PE exits database

Figure 36: 2021 saw a 1.2x increase in exit multiples, driven primarily by high returns from exits in healthcare, IT, and consumer tech

Multiples on invested capital for exits



	Portfolio company	Exiting funds	Mode of exit	Exit date	Exit value ($M)	MOIC
Consumer tech	**Nykaa**	TPG Growth	Public market sale incl. IPO	Nov 2021	717	9.9
	boAt Lifestyle	Fireside Ventures	Secondary sale	Jan 2021	100	8.0
	Policybazaar	Alpha Wave, Tiger, Falcon Edge Capital	Public market sale incl. IPO	Nov 2021	772	7.7
IT / ITES	**Hexaware**	Baring Asia Private Equity Fund VII	Secondary sale	Aug 2021	3,000	6.5
	TaskUs	Blackstone	Public market sale incl. IPO	Jun 2021	300	5.0
	Synergia Lifesciences	InvAscent Capital Partners	Strategic sale	Nov 2021	70	11.5
Healthcare	**Corona Remedies**	Creador	Secondary sale	Apr 2021	92	4.0
	MedPlus Health Services	Warburg Pincus	Strategic sale	Dec 2021	75	3.3
BFSI	**SBI Cards & Payment Services**	Carlyle Group	Public market sale incl. IPO	Mar 2021	514	11.5
		Carlyle Asia Partners IV	Public market sale incl. IPO	Sep 2021	444	10.4

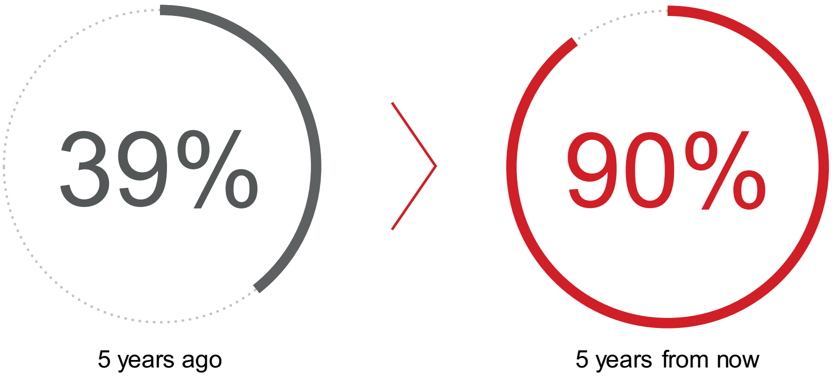
Notes: MOIC—multiple on invested capital (exit value/paid-in capital); deal universe includes all deals with known MOICs (updated over last year's database); simple average of MOICs considered; MOICs available for ~25% of exits with known value from 2012 to 2021
Source: Bain PE deals database

The ESG opportunity: Moving from compliance to value

- Funds increasingly view ESG criteria as a core consideration in investment decisions. The global acceleration toward ESG adoption has reached Indian shores, as many India-focused funds are increasingly looking for ways to embed ESG norms into their firms and portfolios.
- Research by Bain revealed that Indian funds expect ESG considerations over their PE AUM assets under consideration to grow to 90% over five years from now, up from only 39% five years ago, indicating a significant acceleration in ESG adoption across the sector.
- ESG is becoming increasingly relevant as it is used for mitigating future risks to portfolios, and LPs are advocating it as important criteria in fund strategy and value-creation plans.
- At 66%, India-focused funds view risk mitigation as a key driver for ESG adoption compared to peers in APAC, who view compliance as a more significant driver at 62%. India's push on compliance as a key driver is significantly lower at 34%. At the same time, value-creation potential of ESG is increasingly gaining attention across both India and the rest of APAC.
- ESG is getting recognised as an opportunity for value creation and should be viewed as a differentiated driver of value across the full investing value chain. As funds explore how to raise better, invest better, own better, and exit better, they have an opportunity to emerge as leaders capturing outsized value from their initiatives. Firms have unlocked 3%–5% points of EBITDA from ESG levers, and this value is expected to grow.
- We examine emerging best practices of ESG leadership by studying the examples of two leading funds, an LP and a GP, in defining their own approach to embedding ESG in their funds and portfolios. To realise the full potential of ESG in value creation, these funds have articulated a core vision, set themselves up to ambitious targets, and integrated dedicated ESG teams. They embedded ESG across the investment lifecycle, supporting the funds' and partner companies' ESG goals.

Figure 37: ESG has evolved to become a central theme for funds and expected to become BAU in the next five years

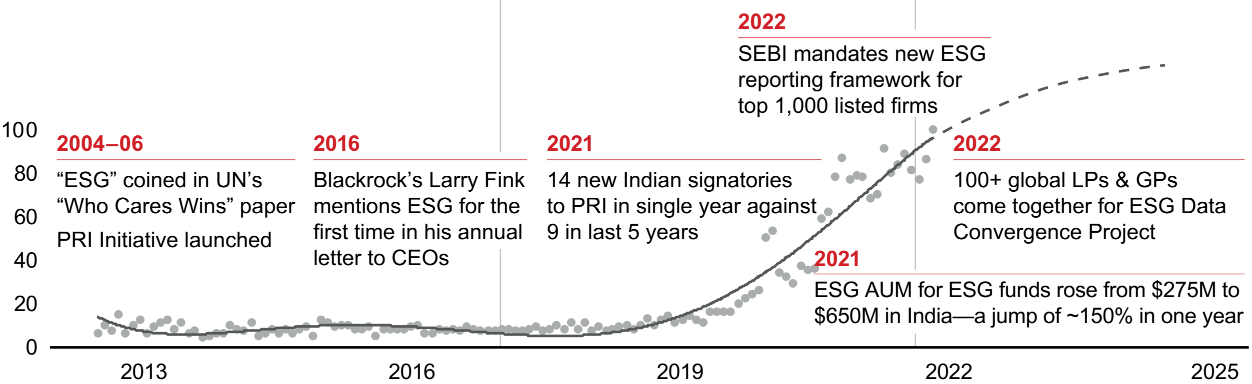
What share of assets you diligenced included an ESG module, and how do you expect it to evolve?



The accelerating ESG adoption indicates a paradigm shift in how ESG is viewed

	Stage 1: ESG not top of mind	Stage 2: Accelerated ESG adoption	Stage 3: ESG becomes BAU
Drivers of adoption	PR, brand differentiation, impact objective	Risk reduction	Value creation
ESG process	No proactive ESG inputs for DD, mere HSE compliance	ESG risks flagged to deal team, deal team potentially supported with ESG DD, sector exclusion criteria	Embedded in fund strategy, end-to-end ESG vetting, ESG in value creation plans, defined KPIs
Sentiment toward ESG	Additional cost centre	Compliance	Value driver
ESG team	No dedicated teams	Expert consultants	Dedicated internal ESG teams

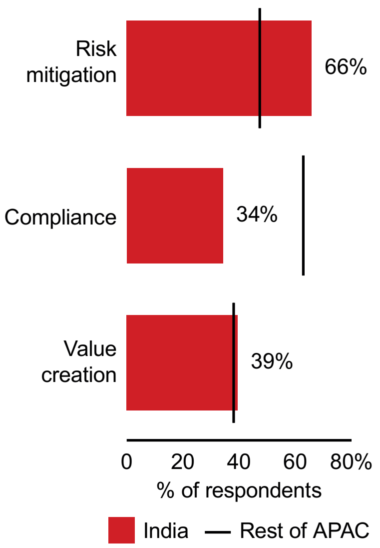
Search volume for ESG over years



Note: PRI—Principles for Responsible Investing; AUM—Assets under management; HSE—health, safety, and environment
Source: Bain India Private Equity survey 2021 & 2022 (n=38)

Figure 38: Indian funds are more inclined to pursue ESG to mitigate risk and face lower compliance pressures

What are the main reasons for your fund to pursue ESG?



Indian funds ahead of the curve in recognizing risk mitigation potential of ESG and its value creation potential

Indian PE funds are **proactively embedding ESG risks as red flag** to avoid risks or costs in future, despite lower pressure to comply

"Recently, we pulled out of a deal because of poor ESG compliance and related practice concerns."

As firms compete for funds, **pressure from large international LPs** also a key driver of ecosystem adoption of ESG norms

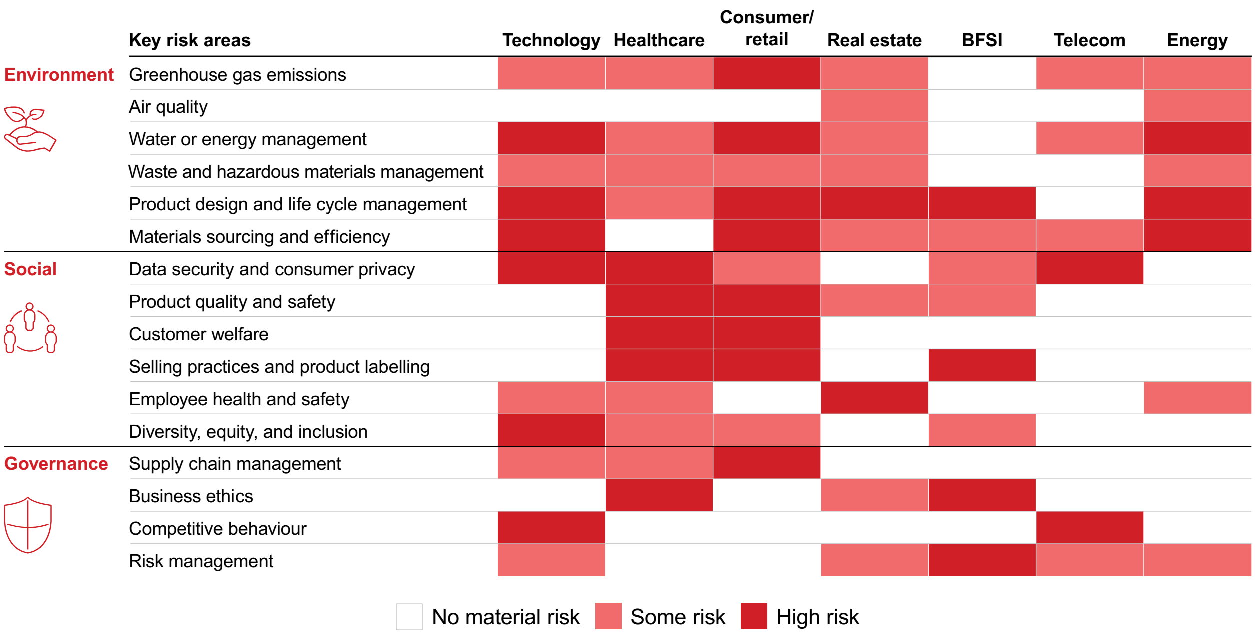
"All LPs are increasingly asking questions around ESG practices and initiatives."

Many funds see the value creation potential of **better environmental and diversity policies, especially as early adopters**

"Our effective cost of capital has gone down since we've started focusing more on ESG-driven investing."

Note: "Compliance" as a reason to pursue ESG includes factors like legal/organisational compliance norms, pressure from LPs, etc.
Sources: Bain India Private Equity survey 2021 & 2022 (India n=38, rest of APAC n=226); market participant interviews; Bain analysis

Figure 39: Funds need to look into their exposure to material environmental, social, and governance risks across sectors



Note: Technology category includes consumer tech and IT & ITES industries
Source: Sustainability Accounting Standards Board (SASB)

Figure 40: ESG is a differentiated driver of value across the full investing value chain

Raise better

Strategy & fundraising

- Win higher share of wallet with **key investors**
- Lower **cost of capital**
- Easier **access to capital markets investors**

Invest better

Deal generation & due diligence

- **Better pattern recognition** on ESG topics in diligence
  - Clarify on baseline
  - Identification of improvement opportunities
  - Fit with fund approach
- **Starts the flywheel** on outcomes

Own better

Portfolio management

- **Gaining share** through improved value proposition; premiumisation
- Improved margin/returns through **efficiency (cost, capital ...)**
- Ability to stay ahead of **regulatory changes** and **manage risks**
- Talent optimisation—**retain longer with better engagement**

Exit better

Exit

- **Broader universe** of capital
- **Premium valuation** for assets with a track record of success

Societal impact ←→ **Company impact**

Societal return for external stakeholders
Positive outcome for the planet and the community (e.g., environment and people, through less emissions)

ESG outcome for internal stakeholders
Positive outcome for the company's community (e.g., working conditions, diversity, fair governance)

Financial return for shareholders
Higher valuations through a combination of above drivers (e.g., increased revenue from more sustainable offering)

Source: Bain analysis

Figure 41: To create value, several funds are deploying ESG actions across their investment activities in India

Raise better

Strategy & fundraising

"Meeting our ESG targets means having to pay lesser interests to our lenders."

Invest better

Deal generation & due diligence

"We make sure our investments are ESG compliant by conducting comprehensive ESG DD during the investment stage."

Own better

Portfolio management

"We view ESG as central to our mission of delivering strong returns for clients."

Exit better

Exit

"We increasingly see valuation premiums for business models and competencies that reflect ESG best practices."

Baring Private Equity Asia
Established Asia's **first ESG-linked credit facility worth** $3.2B in October 2021

Advent International
For every deal, has a dedicated team of expert external consultants to **identify material ESG issues** and conduct due diligence

TPG
Achieved **~100% PAT growth** for portfolio company **Sai Life Sciences** via a series of ESG-focused supply chain measures within 2 years of investment

Warburg Pincus
Earned a **~2.2x multiple** of invested capital on exit of portfolio company **CleanMax** and a **~300% revenue growth** via a series of ESG initiatives

GEF Capital Partners
Private equity firm raised **$200M** for **climate investing** in India from impact investors like IFC, CDC Group, and USDFC in 2022

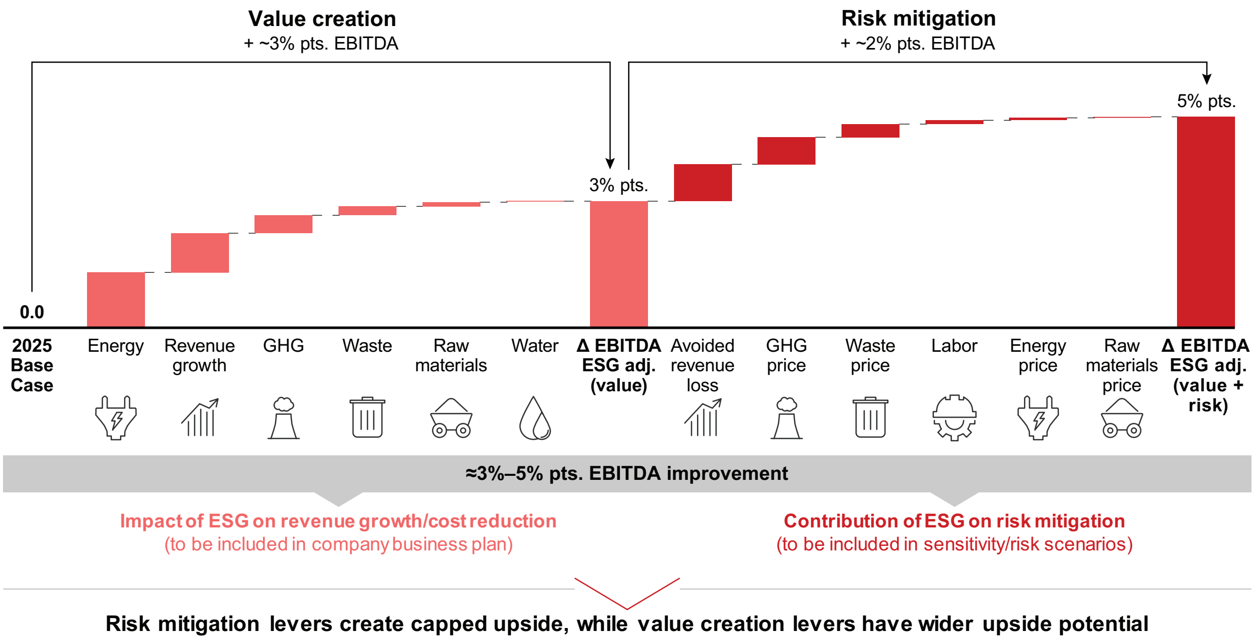
Carlyle
The firm has **mandatory ESG assessments** before all investments based on its formal **Investment Exclusions and Parameters Policy**

CPP Investments
All investments are required to have **diverse representation** on their boards; **best practices** are implemented to move investments up the **ESG curve**

Goldman Sachs
Partially exited its ESG-focused investment, **ReNew Power**—India's first renewable entity to be listed on NASDAQ at **$4.5 billion market cap**

Note: Examples listed above are illustrative
Sources: Bain analysis; interviews with funds

Figure 42: ESG levers hold potential to unlock ~3%–5% pts. EBITDA, a significant source of value creation for funds and portfolio companies



Source: Bain analysis

Figure 43: True North and CPPIB have exhibited strong ESG leadership through clear vision, targets, and governance model

				Governance		Fund activities		
	Targets	Standards	Milestones	Leadership	Organisation & roles	Strategy & fundraising	Deal generation & DD	Portfolio management
True North (Indian GP) **Vision** Delivering value to all shareholders through investments in socially responsible businesses	**>90% AUM under ESG value creation plan** in the next 24 months	Signed Principles for Responsible Investment in **October 2020**	**ESG integration starts** (2018) **Carbon neutral in 2021**	**Dedicated ESG head** **Cross functional teams**	ESG Head ESG resource (business partner) Investment team; Business team	**End-to-end ESG integration** across investment life cycle	Uses a **Sector exclusion list** to focus on socially responsible businesses	Instituted **ESG Management System** at partner companies
CPP Investments (Global LP) **Vision** Delivering sustainable results while addressing one of the biggest global challenges—climate change	**Net-zero GHG** by 2050 **10% D&I representation** by 2025	Signed Principles for Responsible Investment in **April 2006** Joined ESG Data Convergence Project in **2022**	**Launched first green bond by a Pension Fund** (2018) **Sustainable Energy Group** $20B+ AUM in clean energy investments	**Chief Sustainability Officer** (role introduced in 2020) **ESG team**	**Internal team + SEG** ESG investments in clean energy **External consultants** ESG due diligence	**Mandatory ESG assessments** for onboarding GPs	**Climate risk assessment framework** for all large deals	Targeting **female and minority representation on all portfolio boards** Incentives for **sustainable energy strategies**

Sources: Expert Interviews; 2021 Report on Sustainable Investing, CPPIB; Building Responsible Businesses The Right Way, True North, 2020

Figure 44: We see ESG as a value creation opportunity and a core differentiator for investors and their portfolio companies

Align and drive toward ESG leadership

Develop strong ESG ambition, ensure organisation's engagement and alignment on the vision, develop roadmap, and take action to drive change toward ESG leadership

Market share

- Higher revenue and market share by **better answering customer** needs and improving brand image
  - **Volume:** gain share in existing portfolio through ESG positioning, develop new offerings
  - **Price:** potential for ESG premiumisation
- **Future proof positioning,** avoiding regulatory bans on current products

Opex and capex

- Improved margin through **cost efficiency**
  - Savings in manufacturing (e.g., need for less raw materials, energy)
  - Waste reduction (e.g., less need for treatment and waste use as a cheaper raw material)
- Ability to **stay ahead of regulatory changes** and minimize future costs

Cost of capital

- Lower **cost of capital at banks** achieved by meeting specific (ESG) requirements
- Easier **access to capital markets investors** thanks to their commitments surrounding ESG portfolios and **dedicated lines of capital**

Talent

- Inspiring vision and culture, strong reputation and performance of the company **attracting the best talents**, and **retaining and motivating** current employees
- Employees in turn more **eager to achieve ESG vision** and thrive for **better performance**, fostering an **innovation culture**

Societal impact ⟷ **Company impact**

Societal return for external stakeholders
Positive outcome for the planet and the community (e.g., environment and people, through less emissions)

ESG outcome for internal stakeholders
Positive outcome for the company's community (e.g., working conditions, diversity, fair governance)

Financial return for shareholders
Higher valuations through a combination of above drivers (e.g., increased revenue from more sustainable offering)

Source: Bain analysis

About Bain & Company's Private Equity business

Bain & Company is the leading consulting partner to the private equity (PE) industry and its stakeholders. PE consulting at Bain has grown eightfold over the past 15 years and now represents about one-third of the firm's global business. We maintain a global network of more than 1,000 experienced professionals serving PE clients.

Our practice is more than triple the size of the next-largest consulting company serving PE firms. Bain's work with PE firms spans fund types, including buyout, infrastructure, real estate, and debt. We also work with hedge funds, as well as many of the most prominent institutional investors, including sovereign wealth funds, pension funds, endowments, and family investment offices. We support our clients across a broad range of objectives:

Deal generation. We work alongside investors to develop the right investment thesis and enhance deal flow by profiling industries, screening targets, and devising a plan to approach targets.

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

Immediate post-acquisition. After an acquisition, we support the pursuit of rapid returns by developing strategic blueprints for acquired companies, leading workshops that align management with strategic priorities, and directing focused initiatives.

Ongoing value addition. During the ownership phase, we help increase the value of portfolio companies by supporting revenue enhancement and cost-reduction initiatives and refreshing their value-creation plans.

Exit. We help ensure that investors maximise returns by preparing for exit, identifying the optimal exit strategy, preparing the selling documents, and prequalifying buyers.

Firm strategy and operations. We help PE firms develop distinctive ways to achieve continued excellence by devising differentiated strategies, maximising investment capabilities, developing sector specialisation and intelligence, enhancing fund-raising, improving organisational design and decision making, and enlisting top talent.

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

Bold ideas. Bold teams. Extraordinary results.

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future.

Across 65 cities in 40 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition, and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster, and more enduring outcomes. Our 10-year commitment to invest more than $1 billion in pro bono services brings our talent, expertise, and insight to organizations tackling today's urgent challenges in education, racial equity, social justice, economic development, and the environment. We earned a gold rating from EcoVadis, the leading platform for environmental, social, and ethical performance ratings for global supply chains, putting us in the top 2% of all companies. Since our founding in 1973, we have measured our success by the success of our clients, and we proudly maintain the highest level of client advocacy in the industry.

For more information, visit **www.bain.com**

Established, for over a decade, by industry professionals with a unified aim to drive forward alternate capital industry in India. The IVCA (Indian Venture and Alternate Capital Association) is India's apex body representing the interests of PE/VC industry, real estate, infrastructure and credit funds, limited partners, family offices, and VCs.

IVCA is a nonprofit organisation powered by its members. The members are firms from around the world, including investment managers, investment advisors, general partners, funds whose sponsors are sovereign wealth funds, pension funds, national governments, large government entities, bilateral/multilateral financial institution, high-net-worth individuals, and family offices.

For more information, visit **www.ivca.in**

Amsterdam • Atlanta • Austin • Bangkok • Beijing • Bengaluru • Berlin • Bogotá • Boston • Brussels • Buenos Aires • Chicago • Copenhagen Dallas • Denver • Doha • Dubai • Düsseldorf • Frankfurt • Helsinki • Hong Kong • Houston • Istanbul • Jakarta • Johannesburg • Kuala Lumpur Kyiv • Lagos • London • Los Angeles • Madrid • Manila • Melbourne • Mexico City • Milan • Minneapolis • Monterrey • Moscow • Mumbai Munich • New Delhi • New York • Oslo • Palo Alto • Paris • Perth • Rio de Janeiro • Riyadh • Rome • San Francisco • Santiago • São Paulo Seattle • Seoul • Shanghai • Singapore • Stockholm • Sydney • Tokyo • Toronto • Warsaw • Washington, DC • Zurich