

'Increased exits through IPOs will bolster PE funds'

Investments in start-ups were a defining feature of 2021, says **DARIUS PANDOLE**, managing director and chief executive officer, private equity (PE) and equity alternative investment funds (AIFs), JM Financial. In conversation with **Ashley Coutinho**, he says digitalisation of traditional businesses and new-age supply chain solutions will lead to opportunities for PE investors. Edited excerpts:

PE/venture capital (VC) firms invested a record \$63 billion in Indian companies in 2021, registering a 57 per cent rise over the previous year. What are the factors that have fuelled this growth?

Large global funds were sitting on all-time high levels of dry powder and were deploying capital at aggressive valuations. Further, investments in start-ups were a defining feature of 2021. India added 44 unicorns and overtook the UK as the third-largest origin of unicorns in the world.

Significantly increased exit activity during the year further enthused PE funds to increase their focus on deal-making. A combination of these factors resulted in hectic deal-making, which steadily gained steam throughout the year and is expected to continue into 2022.

What are the emerging opportunities for PE players?

There is likely to be continued focus on digital evolution across industries, encompassing all aspects of life from digital lending, financial technology (tech) and direct-to-consumer commerce in the consumer domain to continued innovation from companies providing services in edtech, agritech, consumer tech, and healthtech.

Improvement and scaling up



of the logistics and supply-chain infrastructure (infra) could potentially benefit large parts of Corporate India. We see a fundamental shift in the agriculture sector, driven by increased internet and smartphone usage.

How has Covid-19 shaped the investment strategy of PE players?

The long-term growth opportunity in India remains attractive. Long-term investment strategy will be driven by the emergence of new investment themes, many of them

emanating out of the Covid-19 situation, such as greater work-from-home requirements, increased shifting of manufacturing activities into India, higher requirements for regular health and medical diagnostic services, and renewed focus on health and wellness. All these trends can potentially throw up massive business

opportunities across sectors like tech, manufacturing, health care, and consumer and financial services. In addition, the increased digitalisation of traditional businesses and new-age supply chain solutions will lead to significant opportunities for PE investors.

You have said earlier that the opportunity set for investments in infra is huge.

There is immediate requirement for massive infra investments estimated at over ₹50 trillion (or \$750 billion) across India. Huge investments are required in almost all segments of infra, such as the national highway network in India (only 25 per cent is four-laned), development and upgrade of airports, and initiatives such as Smart Cities and Housing for All. Power generation and railways provide investment opportunities of a similar magnitude with much-needed focus on clean, sustainable sources of energy to meet the nationally-determined contribution targets on climate action.

Exits surged dramatically last year. What is the outlook?

Exit activity is expected to remain strong in 2022, supported by ample liquidity and positive market sentiment. Successful listings of start-ups bolstered investor confidence in Indian capital markets as a viable avenue for exit. This momentum is expected to continue, with a number of big-ticket initial public offerings lined up.



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