

Block deals hit record as PEs guard returns in rough Street

Block deals hit record high in FY23 as PEs guard returns in turbulent Street

FROM PAGE 1

World Fund Inc., WF Asian Smaller Companies Fund Ltd, and BNP Paribas Arbitrage Fund, *Mint* reported at the time.

Venture investors such as Softbank and Tiger Global, among others, also booked partial or full exits from many of their newly listed portfolio companies, such as Nykaa, Paytm, Zomato, CarTrade and PolicyBazaar. Last month, US private equity giant Blackstone sold its remaining stake in Sona Comstar for more than \$600 million in a block deal.

Beginning May 2022, the US Federal Reserve has raised interest rates at the fastest pace in four decades to tame inflation induced by the loose pandemic-era monetary policy and the Ukraine war, which drove up fuel and food costs. This sparked volatility across global stock markets as rising interest costs and inflation crimped corporate profitability.



From a record high of 18,887.6 in December, Nifty plummeted 11% to a low of 16,828.35 in March before staging another recovery. HT

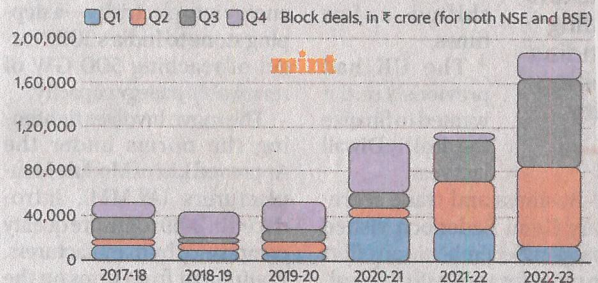
head of investment banking at Equirus.

“Typically, large PEs take leverage for their investments, and rising interest rates drove the PE exits in order to protect the IRRs from the rising rates. The exits were given by other institutional investors, such as foreign institutional investors, sovereign wealth funds and mutual funds, the latter having seen huge inflows through systematic investment plans apart from conventional inflows. Existing investors like MFs etc., who invested in the IPOs of companies which had grown in value post the listing, saw these investors buying from the PEs,” he said.

A block deal involves institutional players transacting in more than 500,000 shares, or shares with a value exceeding ₹5 crore, of a particular listed company. It happens during two special windows between 8:45 am and 9:00 am and 2:05 pm and 2:20 pm on the exchanges.

Block bonanza

Quarterly block deals from 2017-18 to 2022-23.



Source: primebbdatabase.com

SATISH KUMAR/MINT

have made significant returns in these companies, exited or reduced their stakes. Most of these sell-downs were by global PE funds that booked profits in successful investments, as globally, there is pressure to protect IRRs due to ongoing recessionary fears and volatility. These deals by PE funds were also to showcase successful investments and exits for further fund-raising and the launch of new funds.”

IRR stands for internal rate

of return. It is the discount rate at which the present value of all future cash flows equals the initial investment.

Among FY23’s key notable PE exits through block deals was KKR’s exit from Max Healthcare in August 2022. Investors that picked up shares included US-based New World Fund Inc., the Government of Singapore, Monetary Authority of Singapore, Smaller Cap

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Even as new listings slowed sharply in FY23, the value of block deals hit a record during the year, as private investors booked exits to protect their returns at a time rising interest rates fuelled recessionary fears.

The combined value of block deals hit a record ₹1.87 trillion in FY23, up 63% from the preceding fiscal year, shows data compiled by Prime Database. The December quarter saw block deals worth ₹80,006 crore, the highest in any quarter.

“We have seen block deals by private equity and venture capital investors worth more than \$10 billion in the last year,” said Gaurav Sood, managing director and head of equity capital markets at Avendus Capital. “This was mainly because early investors, who