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Advent Sees Drop in Private Valuations in India After Stock Rout

- More deals being routed towards private-equity as markets drop
- Jalan cautious amid macro uncertainties, valuation concerns

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The rout in global stocks is keeping the head of Advent International Corp.'s India business, Shweta Jalan, increasingly busy because more deals are being routed into the private-equity space.

Yet, Jalan says, she's growing more cautious in her investment picks on concerns about valuations and multiple uncertainties, including the war raging in Ukraine, the global inflation surge and supply chain disruptions.

Valuations in private markets will eventually need to come down, to match the declines in public markets, Jalan said in an interview in the Mumbai offices of the global private-equity firm, which has headquarters in Boston and had \$88 billion in assets under management worldwide at the end of December.

"People are still living in a bit of paradise of the valuations they have seen in the last two years," Jalan said. "There is a lag between private and public market valuations. It will take some time for the valuations to reset to a new normal."

In India, Jalan's fund has completed eight investments in under three years, including the purchases of majority stakes in the engineering services company Encora and consumer durables firm Eureka Forbes.

Jalan says she's steered clear of India's red-hot fintech space, where



Shweta Jalan Source: Advent International Corp.

startups are too early stage or too expensive for her firm's strategy, which leans towards investments in late-stage cash-generating businesses. Advent's key investment areas will continue to be healthcare, consumer, financial services and information technology in India, she said.

Like much of the world, India is grappling with a flareup in inflation, which led to an emergency interest-rate hike this month and removed billions in liquidity from the banking system. Foreign funds are withdraw-

ing money at a record pace from Indian equities. All that's weighing on the market for new offerings after a heady 2021 which saw Indian firms raise nearly \$18 billion, according to data compiled by Bloomberg.

The government was able to float Life Insurance Corp. of India, the nation's biggest first-time share sale, only after slashing the offering size by 60%. Delhivery Ltd., a logistics provider, downsized its share sale by nearly 30% amid muted risk appetite.

Amid the global macro economic

uncertainties, Jalan says her strategy is to “assume 6-12 months of some challenges in everything you are looking at given the macro environment.”

One of the few women in top roles in the Indian private-equity industry, she learnt the business early on from Renuka Ramnath, one of the pioneers in the space, during a stint at ICICI Venture. Her first deal, where she worked closely with Ramnath, was the acquisition of Tata Infomedia Ltd. in 2003, one of the first lever-

aged buyouts in the country.

Having a backup plan is one of the key business lessons Jalan says she’s learnt and it’s what she’s advising her portfolio companies to do these days.

“In emerging markets, there is one gospel truth - nothing will go as per plan,” she said. “So you will need to have a plan B and a plan C. You need to have a waterfall of things to do if market growth doesn’t play out.”

Some of Advent India’s recent investments:

COMPANY	SECTOR	INVESTMENT TIME	STATUS
Avra Labs	Healthcare	Jan. 2022	Active
Encora	Engineering Services	Dec. 2021	Active
Eureka Forbes	Consumer	Sept. 2021	Active
ZCL Chemicals	Healthcare	Feb. 2020	Active
RA Chem Pharma	Healthcare	Oct. 2020	Active
Aditya Birla Capital	Business and Financial Services	Feb. 2020	Active