

Geopolitics, tariffs trip up PE exits

bl.
thehindubusinessline.com/specials/corporate-file/geopolitics-tariffs-trip-up-pe-exits/article69724614.ece

Janaki Krishnan

June 22, 2025

For private equity firms, lucrative and timely strategic exits are the lifeline and oxygen needed to generate cash to return to investors and re-balance portfolios.

However, PEs are holding back exit deals and extending holding periods due to volatile public markets, geopolitical conflicts and trade tariff concerns. This has resulted in significant exit overhang of portfolio companies, globally and in India.

The time to exits is prolonging from 4-5 years previously to 7-8 years.

Bain & Co states that general partners (GPs) are scrambling to generate cash for investors “amid a historically moribund exit environment”. A survey of GPs found that more than half of the companies in buyout portfolios “have been sitting there for four years or longer”, and the funds would have to start selling assets in volume in order to generate adequate DPI (ratio of distributions to paid-in capital).

Some well-known exits in Jan-April 2025

Company	Seller	Buyer	Exit type	Value (\$mn)
Ayana Renewable Power	NIIF and BII	ONGC -NTPC Green	Strategic	2,300
Hexaware Technologies	Carlyle	NA	IPO	1,012
Bharti Airtel	Indian Continent Investment	NA	Open market	981
HealthCare Global Enterprises (HCG, Healthcare Global)	CVC Capital	KKR	Secondary	400
Tata Technologies	TPG Rise	NA	Open market	125

Source: EY-IVCA

In India, several PE firms and venture capital funds are grappling with unrealised investments — nearly 10 per cent of portfolio, according to informal estimates.

Slowing exits

While 2024 saw strong PE activity, there was a 7 per cent decline in exits, at 282, for both PE and VC firms, though in value it rose 7 per cent to \$26.7 billion, mainly due to a few large deals, according to data from EY and Indian Venture Capital Association (IVCA).

“While some investors took advantage of buoyant capital markets to secure returns through IPOs and open market exits, it remained a challenging year on account of slowing growth and increase in uncertainty,” said an EY report.

From October 2024, while the value of exits has been volatile, the numbers have remained in low double digits, except for a brief spike in February, due to bunched deal completions.

The slowdown worsened in January with just eight exits, down 48 per cent from 18 in the previous month, according to EY data. There had been 22 exits a year earlier.

The following months brought no respite either. According to EY-IVCA, in the first quarter of 2025 (which includes January) exit deal value rose to \$8 billion from \$5.1 billion in the year-ago quarter, while the number of exits plummeted to 39 from 80.

PE/VC exits

Month	Number of exits
April 2024	24
May 2024	24
June 2024	33
July 2024	16
August 2024	29
September 2024	33
October 2024	10
November 2024	15
December 2024	20
January 2025	9
February 2025	17
March 2025	15
April 2025	12

Source: EY-IVCA

More than half the exits were strategic, namely sold to companies in the same sector or with synergies. EY-IVCA had warned in April that the volatility in the mid-cap and small-cap space had closed the IPO window for most players, “which is a dampener for PE/VC exits”... and it pointed out that the reluctance of PE investors to engage at current valuations could be a tailwind for the private credit market.

Mismatched valuation

In April, PE/VC exits hit a new low — the number of deals halved to 12, while the value fell to \$489 million from \$1 billion a year ago. PE exits have been hampered by significant valuation mismatches. In some instances, PE firms have invested in quality assets that scaled up significantly, but potential buyers lack funds.

“Valuations are not catching up with the periodicity of the market itself,” says Sharad Moudgal, Partner at law firm Khaitan & Co. “PE firms have invested in quality assets with the expectation of maximising their value when they start an exit process. That ultimately depends on the asset size in India, because the economy is not mature enough to digest M&A activity at significant valuations and frequency,” he added.

Concurring with this, Samir Sheth, Head, Deal Advisory Services, BDO India, said, “Buyers are becoming cautious about paying growth multiples seen in previous cycles, especially amid global inflation, interest rate volatility, and geopolitical tensions.”

The last few years saw PE investments at astronomical valuations and, with prices cooling now, it is difficult for PEs to bite the bullet and exit at lower valuations, Sheth adds.

“Institutional investors are preparing for longer holding and elongated (and even phased) exits on account of macroeconomic uncertainty, tighter liquidity, and geopolitical uncertainties,” says Yogesh Singh, Partner—Corporate Practice, Trilegal.

Value optimisation

“There is also a growing acceptance that high-quality assets need more time to mature. This mindset is helping founders and companies embrace longer exit timelines, build stronger and more resilient businesses, and prioritise sustainable growth over market-driven deadlines,” Singh adds.

Limited partners are also shifting their focus from rapid exits to value optimisation. “Funds now accept that building fundamentally strong businesses may take longer in the current environment,” says Sheth.

“We’re seeing increased attention to bolt-on acquisitions, digital transformation, and governance improvements.”

To generate payouts to LPs, PEs are taking recourse to continuation funds, where the investee company is rolled over into a new fund to extend the holding period, since sale to a third party is difficult.

Last month, Multiples Alternate Asset Management closed its \$430-million continuation fund, which raised capital to acquire interest in three portfolio companies from Multiples Fund II.

Yet another trend, according to Trilegal's Singh, is cross-portfolio consolidation — merging two or more complementary portfolio companies to create a larger, integrated entity for strategic acquirers or public market investors.

Blackstone, for instance, merged its portfolio firm CARE Hospitals with Aster DM Healthcare to form India's third largest hospital chain.

With public markets still in a bear grip as hostilities escalate in West Asia and Europe, and higher tariffs sour trade relations among major economies, exits remain a far cry for PEs.

While some feel that ageing assets may accelerate deal-making in the remaining months of 2025, others feel there is pressure to find exits and distribute funds.