

ESG expected to contribute to ~34% of total domestic AUM by 2051, aligned to India's 2070 Net-Zero target: Avendus Capital Study

Mumbai, September 22, 2023

Avendus Capital, India's largest Investment Bank, has launched a report highlighting how ESG is set to become a key decision-making parameter for Indian Equity Capital Markets, contributing to ~34% of the total domestic AUM by 2051. This growth is expected to be driven by ESG focused sectors such as Renewable Energy, Electric Vehicles, Green Hydrogen and Climate Tech, among others.

According to the report, India's growth in New-ESG AUM is expected to be similar to APAC's ESG growth of ~30% in the next 5-10 years, stabilizing to a range of 15-20% by 2051. India will also see reclassification of existing assets under ESG, especially among those firms that are highly focused on integrating ESG within their business. A majority of this reclassification is expected to be driven by three key sectors that contribute to ~35-40% of India's market share - BFSI, IT and Healthcare.

Unveiling the report, **Gaurav Sood, Managing Director and Head, Equity Capital Markets, Avendus Capital** said, "While ESG as a theme has already gained relevance in the global capital markets, it has begun to show green shoots within India. A transition to clean energy is definitely a huge economic opportunity for India, gradually leading to reclassification of multiple Indian companies as ESG assets. We also think that China's underperformance within ESG is expected to create a China+1 opportunity, which will benefit India as it is among the top-ranked Asian economies in ESG rankings."

ESG-linked investing in India is gaining traction via three major triggers. Firstly, India's focus on achieving the 2070 Net Zero target, which is estimated to require at least ~USD 8-10 trillion of capex over the next 50 years. Secondly, SEBI's mandates on Business Responsibility and Sustainability Reporting (BRSR), which has added much-needed regulatory push to listed companies to focus on sustainability. And finally, the United Nations Sustainable Development Goals (SDGs), which will act as a catalyst to assess a company's lucrativeness and its ability to raise capital.

2011 was the watershed moment for India, led by major developments within ESG and the broader sustainability space. Within ESG, 'Governance' in Indian companies is gaining attention from various stakeholders, with increasing institutional push back for listed companies. The Corporate Governance score of S&P BSE companies show that there is a negative correlation between the corporate governance score and stock beta, implying that better-governed companies tend to have lesser stock price volatility.

About Avendus

Avendus Group is a leading financial services firm with presence in the areas of Investment Banking, Institutional Equities, Wealth Management, Credit Solutions and Asset Management. Established in 1999 in Mumbai, India,

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Avendus Capital, the investment banking arm, is consistently ranked among the top investment banks in the country on the back of its in-depth domain understanding and a best in the class track record of domestic and cross-border transactions. Avendus' wide range of clients is testimony to its ability to serve its corporates throughout their life cycle – from growth stage funding to large-sized transactions, and M&A advisory.

Avendus Capital Inc located in New York is an Avendus Group entity offering M&A and Private Equity syndication services to clients in the US.

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