

Automotive dealtracker

Providing M&A and PE deal insights

Q3 2023 | Volume 3



Deal overview



Saket Mehra
Partner and Auto & EV Industry Leader
Grant Thornton Bharat LLP

India, as demonstrated in the recent G20 declaration, is firmly committed to pursuing environmentally sustainable development and low carbon emissions while fostering inclusive growth. This commitment has driven substantial growth in the electric vehicle (EV) and alternative fuel technology markets, fueling significant deal activity in the automotive industry.

The EV sector presents a remarkable investment opportunity, exceeding USD 200 billion by 2030. This growth is propelled by strategies like boosting indigenous production, integrating the value chain, and developing solutions to enhance vehicle safety, reliability, and cost-effectiveness, all of which facilitate widespread EV adoption.

According to the International Energy Agency (IEA), India's transition to clean energy, encompassing renewable batteries, green hydrogen, and clean technologies, is poised to create a market worth \$80 billion by 2030. Notably, green hydrogen is expected to contribute around \$19 billion, representing

approximately 24% of the total market value.

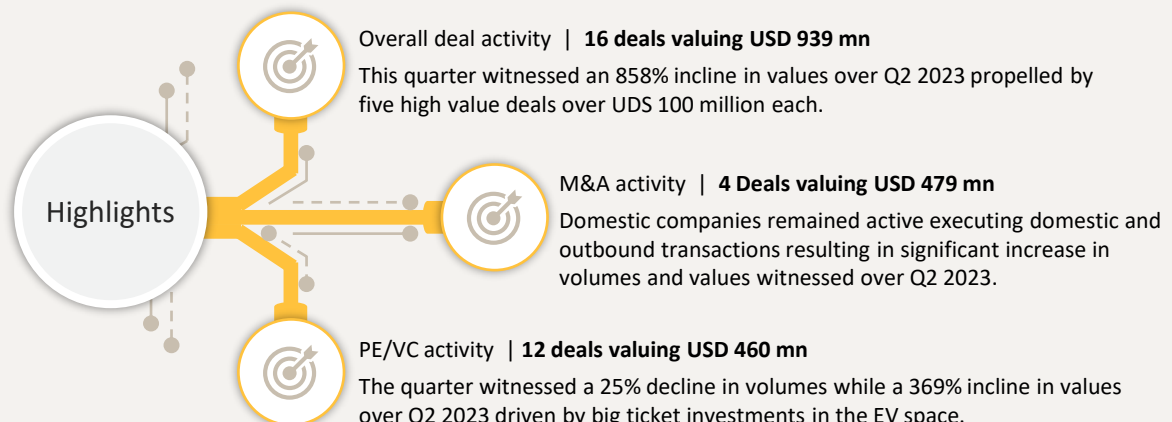
Furthermore, the Global Biofuel Alliance (GBA), an initiative undertaken by India as the G20 chair, aims to accelerate global biofuel adoption through technology advancements, sustainable biofuel utilization, and robust standard setting and certification. This initiative is poised to generate substantial investor interest in the near future.

As the Indian automotive industry continues its path to sustained recovery, even in the face of global macroeconomic challenges and inflationary pressures, coupled with the transition towards BS 6

Phase II emission norms, we maintain an optimistic growth outlook, particularly for the upcoming festive season.

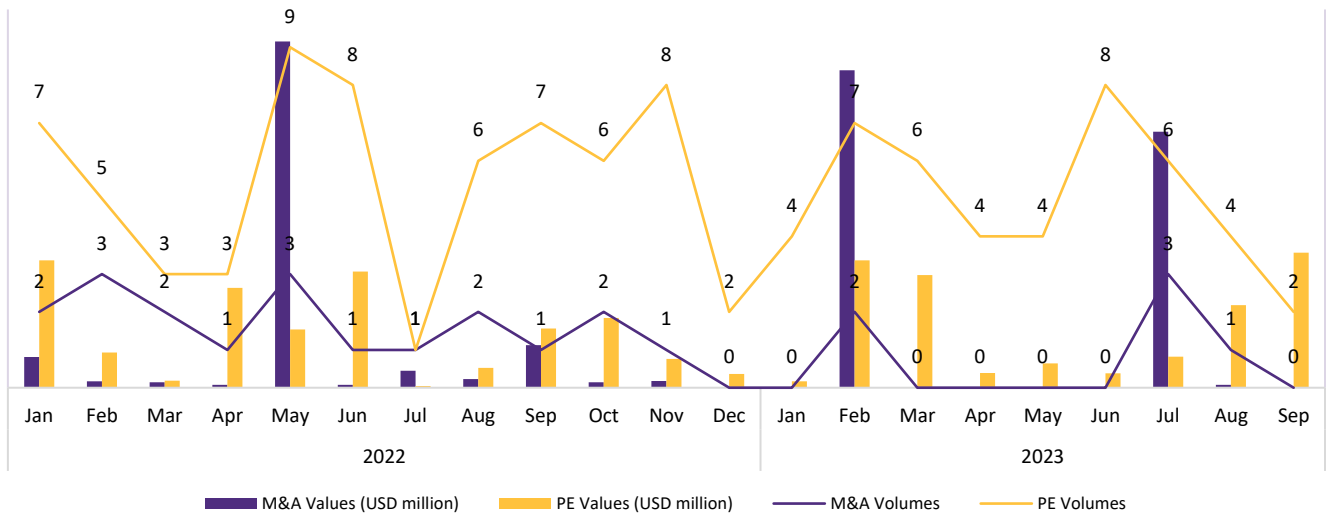
Notably, the overall deal value within the industry has surged by approximately 8.5 times compared to the previous quarter, backed by healthy macroeconomic recovery (headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024). As the industry heads towards becoming a global clean manufacturing hub, we expect a positive investment outlook (and deal activity) within the medium-to-long term.

The EV space led both deal volumes as well as values with seven deals valuing USD 439 mn, as investors see it as an exciting and revolutionary space in the sector



Deal overview

Monthly deal trend



Deal summary

	Volume			Value (USD million)		
	Q1 2023	Q2 2023	Q3 2023	Q1 2023	Q2 2023	Q3 2023
Domestic	1	-	2	10	-	71
Inbound	0	-	0	-	-	0
Outbound	1	-	2	578	-	408
Total M&A	2	-	4 ↑	588	-	479 ↑
PE	17	16 ↓ 25%	12	456	98 ↑ 369%	460
Grand total	19	16	16	1,044	98 ↑ 858%	939

Notable trends

- The automotive industry witnessed 16 deals valuing USD 939 million, translating to a 9.6x incline in values due to five high value (>USD 100 million) deals in the quarter. The top three deals for the quarter namely HCL Technologies' acquisition of ASAP Holdings from the Auto-components space for USD 280 million and Temasek's investment in Mahindra Electric Automobile and Ola Electric Mobility from the EV space for a combined value of USD 286 million accounted for 60% of the overall values for the quarter.
- The M&A landscape in the automotive industry exhibited a gradual resurgence, featuring four notable transactions. Among these, two were domestic M&A deals, while the other two marked cross-border transactions. This trend indicates a growing appetite for strategic collaborations and market expansion initiatives within the industry. PE deal volume decreased by 25%, but the values surged by 369% compared to the previous quarter due to three high value deals in this quarter, alone valuing USD 396 million, whereas no high value deals were witnessed in the previous quarter (Q2 2023).
- Overall, as compared to 2022, PE activity remained stable, while M&A activity was subdued, with no M&A deals in Q2 2023. As the global economy continues its path to recovery, it is prudent to anticipate a heightened trajectory of M&A activity across various sectors, including automotive. The industry's resilience, adaptability, and constant innovation make it a focal point for strategic investments and partnerships, paving the way for transformative developments and market expansion initiatives in the foreseeable future.

Dealboard

Top M&A deals of the quarter

Acquirer	Target	Sub-sector	USD million	Deal type	% stake	Domestic/ Cross-border
HCL Technologies Ltd	ASAP Holding GmbH	Auto-components	280	Acquisition	100%	Outbound
Samvardhana Motherhood International Ltd	Yachiyo Industry Co Ltd	Auto-components	128	Majority Stake	81%	Outbound
MXC solutions Pvt. Ltd - CarTrade.com	Sobek Auto India Pvt Ltd - OLX India's auto business	Mobility as a Service	66	Acquisition	100%	Domestic
Hyundai Motor India Ltd	General Motors - Talegaon plant	Auto-components	N.A.	Acquisition	100%	Domestic

Top PE deals of the quarter

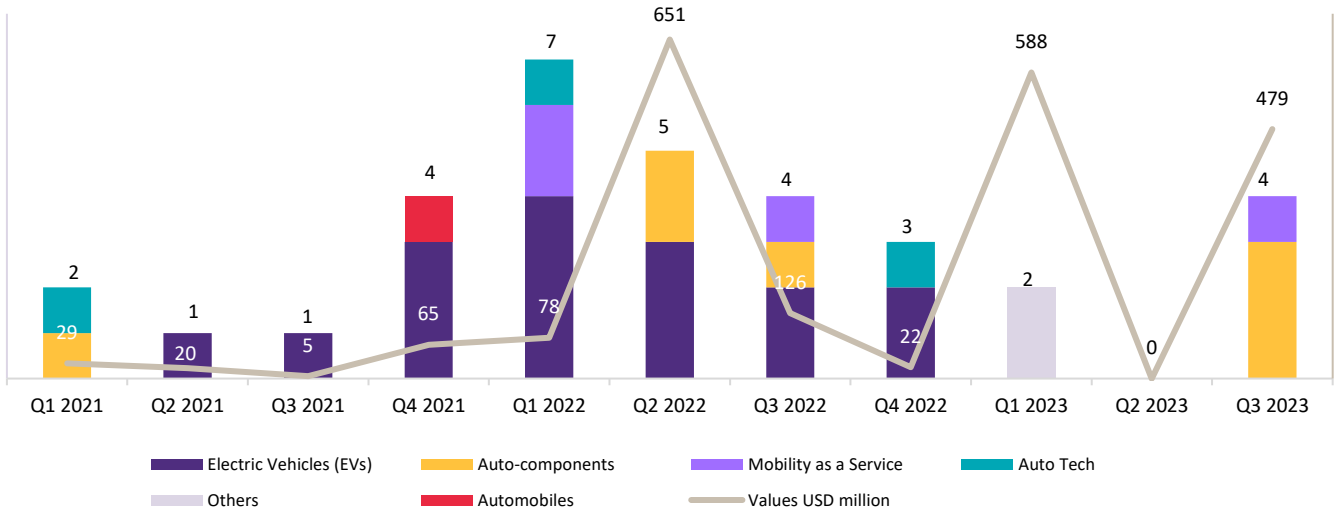
Investor	Investee	Sub-sector	USD million	% stake
Temasek	Mahindra Electric Automobile Ltd	Electric Vehicles (EVs)	146	N.A.
Temasek and angel Investors	Ola Electric Mobility Pvt Ltd	Electric Vehicles (EVs)	140	N.A.
Hero MotoCorp and GIC	Ather Energy Pvt Ltd	Electric Vehicles (EVs)	110	N.A.
Tiger Global, Blume Ventures, The Ecosystem Integrity Fund and British International Investment	Upgrid Solutions Pvt Ltd - Battery Smart	Electric Vehicles (EVs)	33	N.A.
True Ventures, Athera Venture Partners, Blume Ventures, Exfinity Venture Partners and MFV Partners	Ati Motors Pvt Ltd	Auto Tech	11	N.A.

Notable trends

- M&A activity in the automotive industry is increasing, especially in the auto components sector. To adapt to the shift towards sustainable and connected vehicles, the industry is investing in R&D and new technologies, leading to consolidation for synergies and value generation.
- Samvardhana Motherhood acquired an 81% majority stake in Yachiyo Industry's 4-W business, marking its second significant acquisition this year. With growth in existing operations and M&A-driven revenue in alignment with the company 3CX10 strategy¹, the company is expected to grow at a CAGR of 6.5-7% from FY23-25.2
- PE values have grown over 2X Y-o-Y and over 3.5X Q-o-Q, offering investment opportunities in electric mobility, charging infrastructure, and green hydrogen production. As the EV value chain becomes more efficient and customer adoption increases (EV sales grew by over 1.5X YoY in FY23), this sub-sector is attracting significant investor interest.
- Temasek's investment in Mahindra coincides with Tesla's India plans for sub-20 lakh price range, expected to intensify EV competition amid projected sales growth for the EV segment in India. The proposed Tesla factory is expected to cater to domestic demand for affordable EVs and also serve as an export hub.

Sector trends

M&A trend by sub-sectors



The M&A activity within the automotive industry has remained subdued this year- in line with the cautious outlook on global M&A activity, an outcome of expected global inflation and geopolitical risks. As the overall deal activity picks up in the second half of 2023, the automotive industry also witnessed four M&A deals this quarter- two domestic and two cross-border.

HCL Technologies acquired a 100% stake in German automotive engineering services company ASAP group for ~INR 2,300 Cr. to enhance its' skills and offerings in automotive services sector. This acquisition will enable HCL to place a strategic focus on technologies such as autonomous driving, e-mobility and connectivity.

Samvardhana Motherson (SAMIL) acquired 81% of Yachiyo Industry's 4-W business, a Honda Motor subsidiary. Honda will buy out the public stake in Yachiyo, retaining the 2W business. SAMIL's acquisition aligns with its 3CX10 strategy¹, limiting exposure to any country, component, or customer to 10% of total

turnover by 2025. This move allows SAMIL to enter next-gen products like plastic tailgates and type-IV hydrogen storage tanks, crucial for hybrid vehicles with plastic fuel tanks and helps the company to enhance his global footprint.

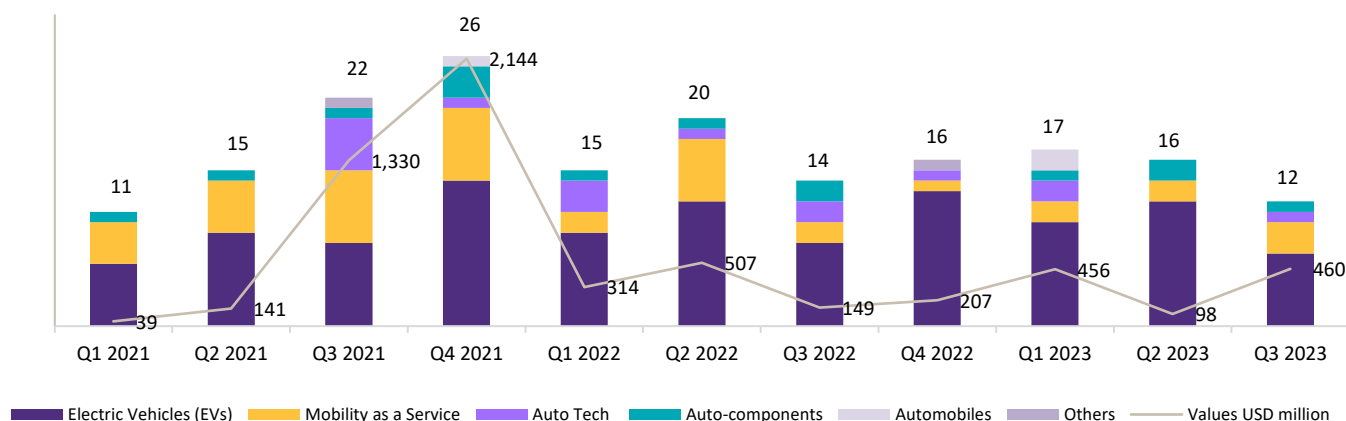
CarTrade's acquisition of OLX India for ~INR 537 Cr. resulted from Prosus's divestment from OLX's global automotive business on account of weak global macroeconomic conditions. This acquisition marks Car-Trade's entry into an asset heavy buy and sell model.

Hyundai Motor India Ltd (HMIL) signed an Asset Purchase Agreement (APA) to acquire assets at GM India Telegaon Plant. The APA includes assignment of land and buildings and acquisition of identified assets. This marks GM's exit from India after ceasing car sales six years ago. The plant, with an annual capacity of 130,000 units, will boost HMIL's total capacity to approximately 1 million units per year.

1. SAMIL

Sector trends

PE trend by sub sectors



The PE/VC activity has witnessed majority investments within the Electric Vehicles and Mobility-as-a-Service (MaaS). Notable investments include:

Mahindra Electric Automobile Ltd (MEAL)
 Temasek plans to invest around INR 1,200 Cr. at a valuation of approximately INR 80,000 Cr. (\$9.8 Bn.), acquiring a 2.97% stake in MEAL. This investment will enhance MEAL's electric SUV efforts and bolster its EV portfolio, aligning with the goal of raising a total of INR 10,000 Cr. in MEAL by 2027.

Ola Electric Mobility Pvt Limited (OEMPL)
 With an annual revenue run rate of nearly a billion dollars and a market share of approximately 32%, the company secured \$90 million from Temasek and the rest from angel investors in its' latest fundraising round. The post-fundraising valuation stands at around \$5.4 billion. The company intends to pursue another round of fundraising before applying for an IPO. Operationally, it is focused on developing technologies like cell manufacturing and expanding its product portfolio to include a mass-market scooter, mass-market motorcycle, and premium motorcycle.

Ather Energy Private Limited (AEPL)
 Ather Energy has raised INR 900 crore (\$108.27 million) from its shareholders Hero MotoCorp and Singapore's GIC through a rights issue with the plans to use the funds for new product launches and expansion of charging and infrastructure network.

Regarding other investments, the strategic allocation primarily revolves around strengthening the EV value chain and establishing resilient sales and distribution networks to accelerate EV adoption. Furthermore, automotive companies are committed to substantial investments in research and development (R&D) to drive innovation, elevate the quality of their products, and incorporate the latest technologies.

These investments are pivotal in addressing the challenges associated with EV manufacturing and meeting evolving consumer demands. By fortifying the EV value chain, companies aim to streamline production, optimize supply chains, and reduce costs, ultimately making EVs more accessible to a broader market. Simultaneously, the focus on sales and distribution networks seeks to improve accessibility and awareness of EVs, making them a more viable choice for consumers.

About Grant Thornton Bharat

At Grant Thornton Bharat, we are committed to bringing positive change to all that we do. We are a founding member firm of the Grant Thornton international network and India's pre-eminent consulting firm. We offer a range of solutions in assurance, tax, technology, managed services, deals, ESG and risk consulting to mid-market companies, government, large corporates, and digital natives. We **#GoBeyond** for our people, clients, and communities to shape Vibrant Bharat.

18 offices | 9,000+ people
(as of 2023)

Part of GT international:
68,000+ people | 145+ countries

Our offerings



Government Policy
& Program Management



Cyber Resilience &
Response



Deals Lifecycle



Tax, Finance & Regulatory
Managed Services



ESG & Risk
Optimisation



Strategy & Operations
Consulting

Automotive Industry Leaders



Saket Mehra

Partner and Auto & EV Industry Leader
Grant Thornton Bharat LLP
saket.mehra@in.gt.com



Sumeet Abrol

Partner and National Deals Consulting
Leader
Grant Thornton Bharat LLP
sumeet.abrol@in.gt.com



Sridhar V

Partner, Deals Consulting
Grant Thornton Bharat LLP
sridhar.v@in.gt.com

Disclaimer: This document captures the list of deals closed and announced based on the information available in the public domain. Our analysis in the document is based on appropriate assumptions where necessary. For example, deals have been classified by sectors and by funding stage based on certain assumptions wherever necessary. If different assumptions were to be applied, the outcomes and observations would be different. Hence, the document should not be relied upon as a substitute for relevant and detailed advice. Grant Thornton Bharat LLP does not take any responsibility for the information, any errors or any decision and any loss thereof incurred by the reader as a result of relying on the document.

Please note that the criteria used to define Indian start-ups include: a) the relevant entity should have been incorporated for five years or less than five years as at the end of that particular year and b) the relevant entity is working towards innovation, development, deployment and commercialisation of new products, processes or services driven by technology or intellectual property.



We are Shaping Vibrant Bharat

Our offices in India

- Ahmedabad
- Bengaluru
- Chandigarh
- Chennai
- Dehradun
- Delhi
- Gurgaon
- Hyderabad
- Kochi
- Kolkata
- Mumbai
- Noida
- Pune



Scan QR code to see
our office addresses
www.grantthornton.in

Connect
with us on



@Grant-Thornton-Bharat-LLP



@GrantThorntonBharat



@GrantThornton_Bharat



@GrantThorntonIN



@GrantThorntonBharatLLP



GTBharat@in.gt.com

© 2023 Grant Thornton Bharat LLP. All rights reserved.

“Grant Thornton Bharat” means Grant Thornton Advisory Private Limited, the sole member firm of Grant Thornton International Limited (UK) in India, and those legal entities which are its related parties as defined by the Companies Act, 2013, including Grant Thornton Bharat LLP.

Grant Thornton Bharat LLP, formerly Grant Thornton India LLP, is registered with limited liability with identity number AAA-7677 and has its registered office at L-41 Connaught Circus, New Delhi, 110001.

References to Grant Thornton are to Grant Thornton International Ltd. (Grant Thornton International) or its member firms. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.