

Financial Services dealtracker

Providing M&A and PE deal insights

Q3 2023 | Volume 3



Deal overview



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Interest rate hikes have been on an increasing trend for the most part of 2022 and the first half of 2023, given the elevated inflation that has been experienced globally. Considering that the inflation was largely due to supply chain issues, the rate hikes had to be calibrated in a manner that the inflation is controlled while ensuring a soft economic landing. The demand is now falling globally, and the core inflation numbers are being tamed. However, given the food and fuel inflation, the interest rates are expected to remain elevated for quite some time. This is what seems to be the view of most of the central bankers

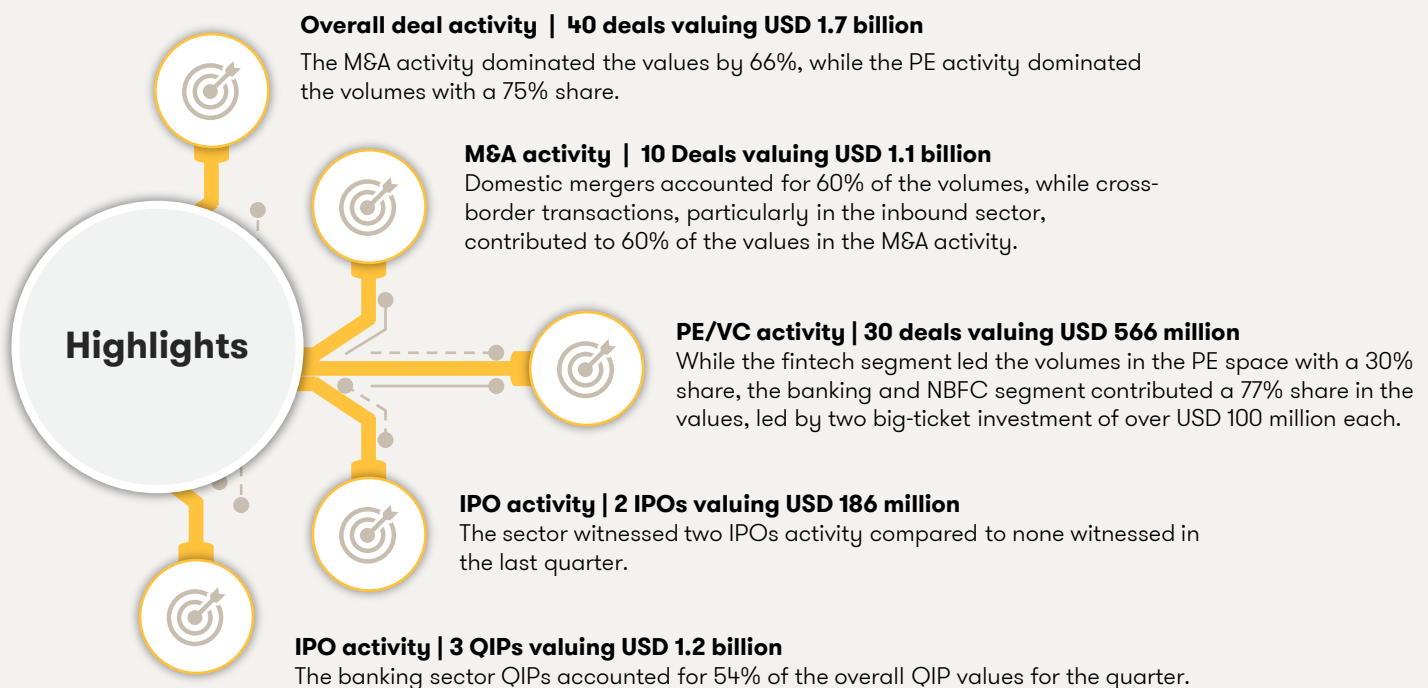
globally. Given this background, we expect capital to become choosy, and investment committees being more focused on finding their way into businesses that have clear and achievable profitability paths.

India has paused interest rates hikes in the last monetary policy committee meetings. While sentiment is strong all around, capital seems to be cautious, given global headwinds, geopolitics and the upcoming Indian elections.

We observed that most of the deals where private equity funds are involved have been primary investments in fintechs, banks and

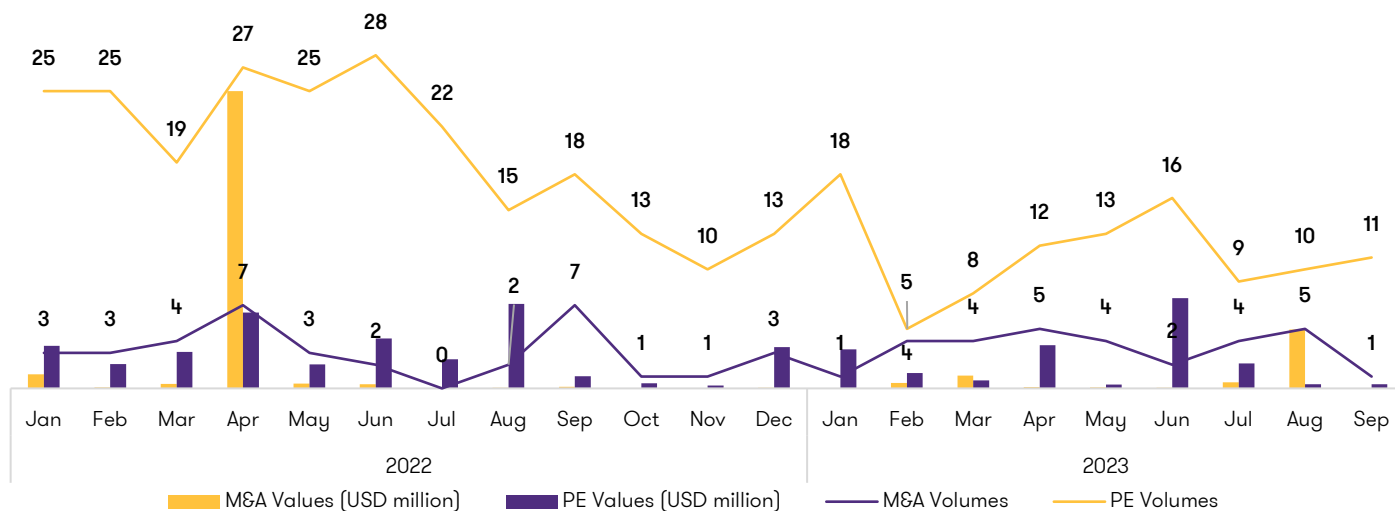
NBFC, traditionally areas where capital defines growth strategy, even as fintechs look towards profitability and not only cash burn. Of the 30 deals undertaken by private equity during the quarter, about 73% were related to the fintech space, with the balance 27% of the deal activities in the NBFC space – primarily focused on housing, MSME, microfinance and education.

Also, close to 60% of the M&A activities were driven in the country by investors in India, with only 40% of the balance being driven between the UK, Europe and Japan.



Deal overview

Monthly deal trend



Deal summary	Volume			Value (USD million)		
	Q1 2023	Q2 2023	Q3 2023	Q1 2023	Q2 2023	Q3 2023
Domestic	8	10	6	35	46	441
Inbound	1	-	4	1	-	654
Outbound	-	1	-	-	5	-
Total M&A	9	11	↓ 9% 10	36	51	↑ 2047% 1,095
PE	31	41	↓ 27% 30	1,050	2,314	↓ 76% 566
Grand total	40	52	↓ 23% 40	1,086	2,365	↓ 30% 1,661

Notable Trends

- With global interest rates expected to be elevated for quite some time, we see a lot of investor interest in the financial services businesses, especially the ones focused on lending, given the margins that high interest rates bring for credit-focused financial services businesses.
- The areas of affordable housing, MSME and education continue to be the key focus areas of credit growth within India.
- Insurance as an ecosystem is experiencing rapid areas of growth, with substantial regulatory relaxations and benchmarking, and global regulations coming into focus. While the sector is yet to see substantial investments coming in, insurance is an area of growth that we expect to catch the investors' attention at a larger scale in the next two to three years.
- Fintech continues to be an area that the investors fancy and data privacy is going to be one of the most significant changes that the entire financial services sector will experience, especially the fintech ecosystem, given that data is their key raw material and finished product. The DPDP Act, 2023, is expected to be a major game changer, and businesses are expected to re-look their operating models in the context of the same.

Dealboard

Top M&A deals of the quarter accounted for 98% of M&A values

Acquirer	Target	Sub-sector	USD million	Deal type	% stake	Domestic/ Cross-border
Rapyd Financial Network Ltd.	PayU Payments Pvt Ltd - Global payments business unit*	Fin Tech	610	Minority stake	N.A.	Inbound
Axis Bank Ltd	Max Life Insurance Company Ltd	Insurance & TPAs	195	Increasing stake to 16.2%	6%	Domestic
Svatantra Microfin Pvt Ltd	Chaitanya India Fin Credit Pvt Ltd	Banking & NBFC	180	Acquisition	100%	Domestic
Mahindra & Mahindra Ltd	RBL Bank Ltd	Banking & NBFC	51	Minority stake	4%	Domestic
Dai-ichi Life Holdings	D2C Consulting Services Pvt Ltd - RenewBuy	Insurance & TPAs	40	Minority stake	N.A.	Inbound

*Rapyd Financial is acquiring PayU's global business and does not include the acquisition of Indian business

Top PE deals of the quarter accounted for 80% of PE values

Investor	Investee	Sub-sector	USD million	% stake
Bain Capital	Adani Capital Pvt. Ltd and Adani Housing Finance Pvt Ltd	Banking & NBFC	176	90%
Multiples Private Equity, Aventus Future Leaders Fund and International Finance Corporation	Veritas Finance Pvt Ltd	Banking & NBFC	146	N.A.
Tata Capital Growth Fund II, ICICI Bank Limited, Trifecta Leaders Fund - I and Xponentia Opportunities Fund - II	Auxilo Finserve Pvt Ltd	Banking & NBFC	57	N.A.
Westbridge Capital, Accel Partners, Tanglin Ventures and Beams Fintech Fund	Analog Legalhub Tech Solutions Pvt Ltd - Credgenics	Fin tech	50	N.A.
Investment Fund for Developing Countries	Arohan Financial Services Pvt Ltd	Banking & NBFC	24	N.A.

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Deal activity has been relatively muted, even though public markets have seen a good run. Credit-based financial businesses, with good profitability metrics, remain areas of interest. However, confidence in fresh bets is still awaited.

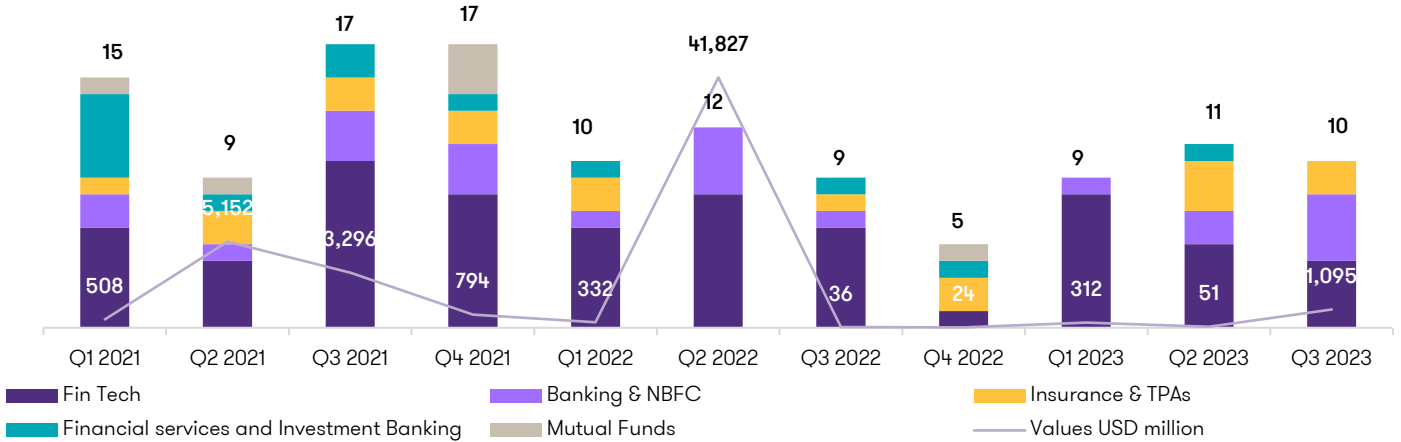


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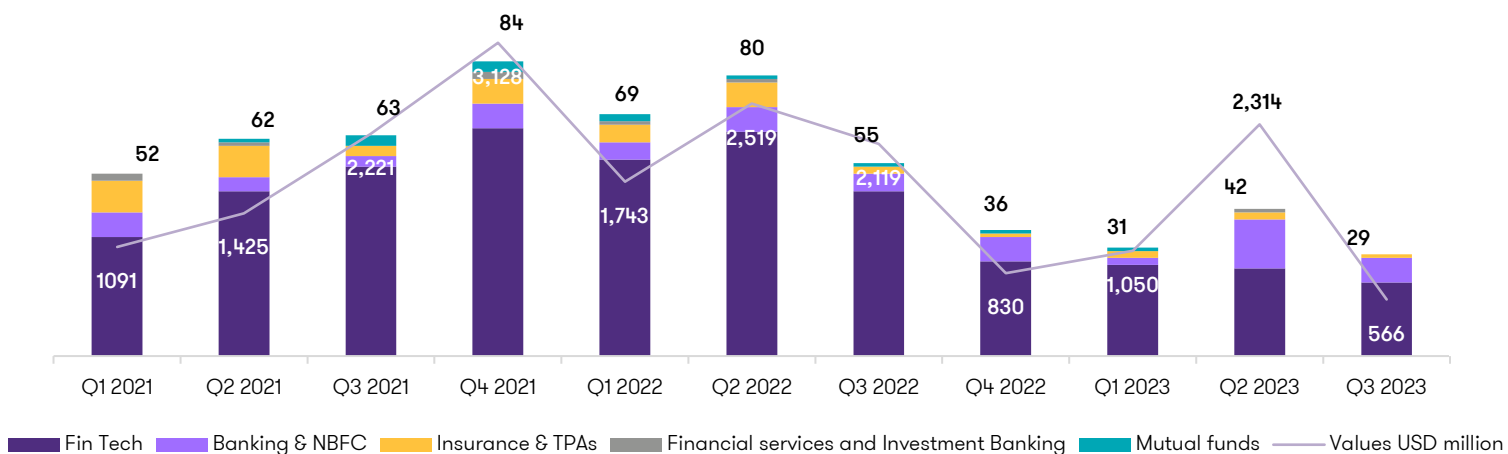
Sector trends

M&A trend by sub-sectors



- The DPDP Act, 2023, is one of the significant regulatory changes in the Indian ecosystem with respect to data privacy requirements. Given that the key raw material and finished products for fintechs are client data, the fintech ecosystem would need to re-look their operating models in the light of these regulatory requirements.
- Players in the BFSI domain will become primary data fiduciaries responsible for the DPDP compliance. Risk management is central to their core function, and they must ensure that consent is obtained before processing personal data.
- The DPDP 2023 is more than a regulation. It offers a unique opportunity for financial institutions to enhance data security, data privacy, build customer trust, and lead the way for responsible data management practices.

PE trend by sub-sectors



Private equity continues to be in exit mode across segments, although it appears that funds are now seeking to start investing again. Data shows that most funds have been committing capital to existing bets to shore up capital and fund expansion rather than new acquisitions.

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FS Sector Leaders



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Disclaimer: This document captures the list of deals closed and announced based on the information available in the public domain.

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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.



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