Grant Thornton Bharat

Deals

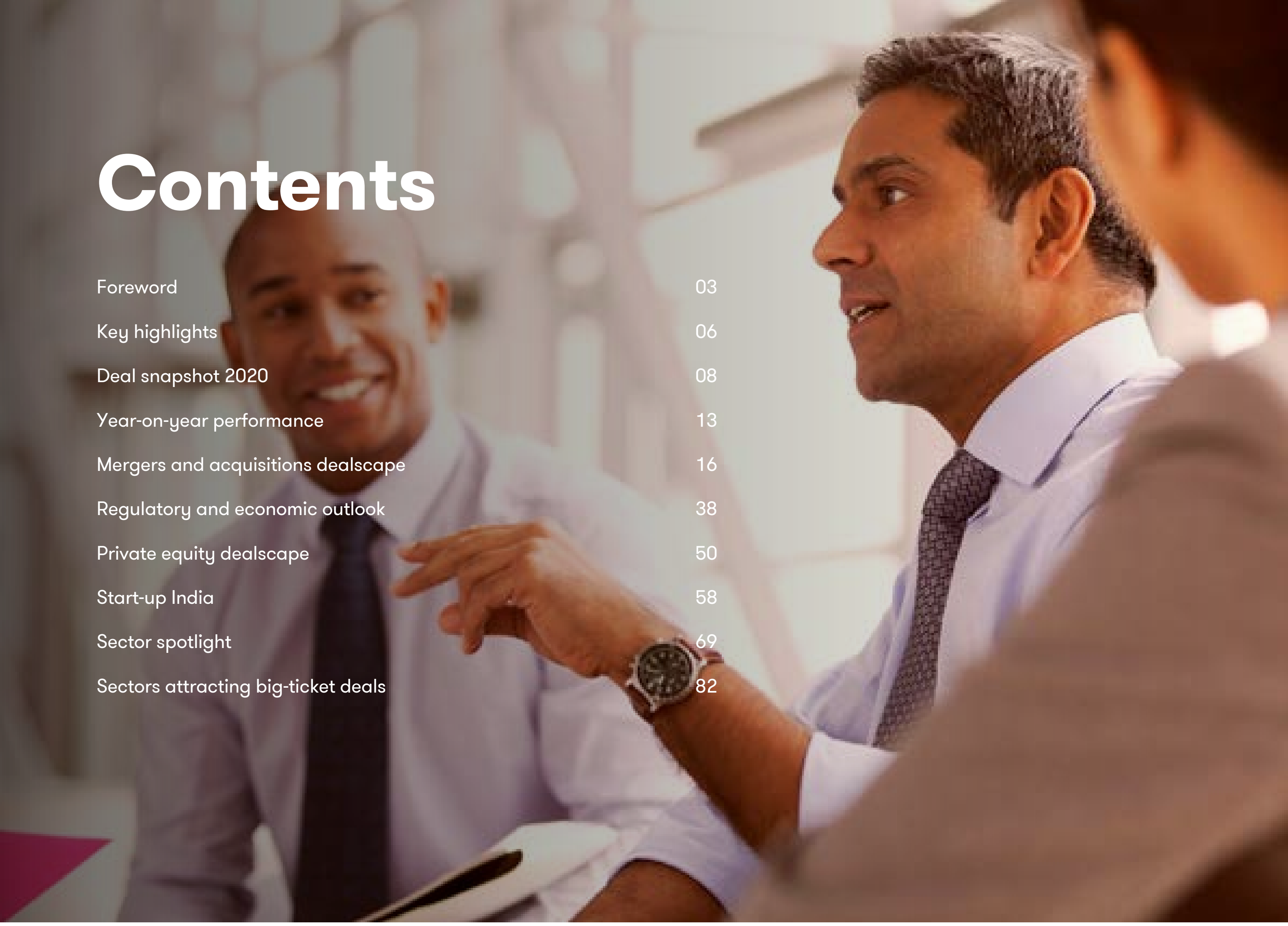
Revenue Growth

Consolidation

Annual Dealtracker 2021

M&A and **private equity** deal insights

16th annual edition



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Please note that the criteria used to define Indian start-ups include a) the company should have been incorporated for five years or less than five years as at the end of that particular year and b) the company is working towards innovation, development, deployment and commercialisation of new products, processes or services driven by technology or intellectual property. Deals have been classified by sectors and by funding stages based on certain assumptions, wherever necessary.

Dealtracker editorial team

Pankaj Chopda and Monica Kothari

Our methodology for the classification of deal type is as follows:
Minority stake - 1%-25% | Strategic stake - 26%-50% | Controlling stake - 51%-75% | Majority stake - 76%-99%

Maps are for graphical purposes only. They do not represent a legal survey.

Foreword

With underlying uncertainties, the overall deal activity saw a healthy 3% increase in the deal volumes at 1,301 deals, while values saw significant 29% growth aggregating to over USD 77 billion compared with 2019.

The year 2020 witnessed a pandemic like none other. As COVID-19 spread, the world witnessed how difficult rekindling economic activity was. The coronavirus recession has inflicted severe economic scarring. Amidst this, uncertainty and volatility triggered by major political events, USA-China trade war, Brexit, tensions between USA and Iran, the impact of the COVID-19 on China's economy, increases in oil prices, a strong dollar against other currencies and the imposition of new sanctions and trade barriers by nations prevailed. On the Indian economic front, in the second quarter of the 2020, India's gross domestic product (GDP) fell by around 24% amid the coronavirus lockdown. The pandemic has led to an unprecedented shutdown of business, industries and services. From manufacturing to real estate, hospitality to mining, all industries and sectors have been impacted as the economy records its sharpest drop in over four decades. Another major hindrance to deal levels this year was the global slowdown, which is the driving force behind the cautious approach of investors in the middle quarters.

Before COVID-19 came knocking, issues such as global trade tensions, corporate debt distress and the economic slowdown plaguing the Indian economy already prevailed. With underlying uncertainties, the overall deal activity saw a healthy 3% increase in the deal volumes at 1,301 deals, while values saw significant 29% growth aggregating to over USD 77 billion compared with 2019. Mukesh Amabani's oil-to-telecom conglomerate was at the forefront of fundraising this year. It raised over USD 26 billion from a long list of investors, including Facebook, Google, KKR and Silver Lake Partners, and a majority of that was announced in the first half of the year. The chief destination of these funds was Jio Platforms, which has become the country's largest wireless carrier. In fact, Facebook's USD 5.7 billion investment for around 10% stake in Jio was both the largest investment for a minority stake by a tech firm globally and the largest foreign direct investment (FDI) in Indian telecom (tech platform) ever. Barring the investment in Reliance's Jio Platform and Retail Ventures, the year saw a meaningful decline of 16% in deal values.

COVID-19's impact on Indian M&A has been a mixed bag. India recorded over 350 M&A deals worth USD 37.5 billion – the lowest yearly volume since 2011. Domestic buyers and sellers

Deal summary	Volume			Value (USD mn)		
Year	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Domestic	272	255	209	34,279	16,393	16,406
Cross-border	193	177	142	37,681	9,900	21,019
Merger and internal restructuring	13	11	7	17,469	1,340	35
Total M&A	**478**	**443**	**358**	**89,429**	**27,633**	**37,460**
PE	795	816	943	20,675	32,452	40,207
Grand total	**1,273**	**1,259**	**1,301**	**1,10,104**	**60,085**	**77,667**
Cross-border includes						
Inbound	101	95	66	25,746	7,905	18,076
Outbound	92	82	76	11,935	1,995	2,943

continued to dominate the M&A dealmaking space, accounting for more than half of the year's deal volume. This surge was driven by consolidation to strengthen market position, financial deleveraging, monetising of non-core assets, entering new market segment, the faster pace of insolvency proceedings, distressed-asset sale supplying assets at attractive valuations across core sectors and large corporations acquiring their small and vulnerable counterparts effected by coronavirus recession.

In Q2 2020, regions across the globe continued to grapple with the challenges associated with COVID-19. These included economic turbulence, sudden spikes in unemployment rates, restrictions on travel and movement and the ramifications of continued shutdown and slowdown in many sectors. Owing to this, Q2 2020 recorded the lowest cross-border deal volume in any given quarter since 2011. Despite this, the cross-border deal activity recorded over 140 transactions with deal values worth USD 21 billion (including Jio's ~USD 10 billion investment from Facebook and Google). The overall trend witnessed can also be attributed to border tensions between countries coupled with India's new FDI policy, which was widely seen as being framed to avoid opportunistic takeovers by overseas firms. Inbound deals recorded lowest deal volume at over 65, with over USD 18 billion worth deal value on the other hand, overseas acquisitions by Indian companies saw over 75 transactions with values almost increasing by 1.5 times to USD 3 billion compared to 2019 on account of one Haldia Petrochemical's USD 1.5 billion acquisition of Lummus Technology. USA was the most active foreign player in Indian M&A this year in terms of value as well as number of acquisitions, both in inbound as well as outbound segment.

Sectoral spread for M&A investments in 2020 was on par compared with 2019, with top deals ranging across telecom, consumer goods, oil and refinery, ports, finance, industrials, real estate and technology. On the flip side, aviation, hospitality, travel and tourism, which are largely dependent of physical movement of people, have been disproportionately impacted. This led to companies and entrepreneur universe embracing technology and data analytics to come up with new age business models in conventional sectors to adapt to the new normal of social distancing and travel restrictions. This adaption has led to deal making in the start-up sector which witnessed maximum consolidation in terms of deal volumes.

2020 saw record PE dealmaking activity in India with investments worth USD 40 billion, 28% higher than the previous record witnessed in 2019, with around 950 deals. Strategy to achieve size, scalability, new product portfolios and better operating models catapulted deal activity upward in the PE space, accounting for over 50% of total deal value in India in 2020. Before the onset of the COVID-19 pandemic, the Indian start-up landscape was flush with cash as investors such as Chinese internet giant Alibaba, its affiliate Ant Financial and other big-ticket investors, such as Tencent Holdings and Fosun RZ Capital, held substantial stakes in Indian start-ups. Post COVID-19, the investments were led by Sequoia, Lightspeed Ventures, IP Ventures and a host of other overseas and homegrown investors with majority participation from the angel investor group. PE dealmaking saw 10 deals valued over USD 1billion in 2020 as opposed to three each witnessed in 2019 and 2018. The investor-friendly modifications to REIT regulations have resulted in global investors, such as Blackstone and Brookfield, and SWFs, such as GIC Singapore, picking up large quality office assets to build up their REIT portfolios. As the economy started picking up towards the end of third and fourth quarters, the appetite of investors was seen increasing along with SWFs and strategic buyers appetite for control deals and co-investment deals which supported in the PE deal making in 2020.

While early-stage companies found it difficult to attract funding, companies that responded to accelerating trends, such as remote working, e-commerce, and health and biotech, saw an uptick in investment interest. The pandemic has been a boon for tech firms. Increased digital consumption has led to ballooning tech valuations and soaring interest in tech-based investments with the year witnessing over 75% investment in the start-ups, e-commerce and IT & ITeS sectors. Investments in the banking and NBFC segments were driven by the need to tackle the impact of the COVID-19 pandemic and increase the bank's capital adequacy ratio, working capital and for asset creation. The coronavirus pandemic created a demand for online learning and with this move, there had been surge in ed-tech sector.

Exits, on the other hand, slowed down substantially as after the COVID-19 lockdowns, the prevailing uncertainty increased business risk premiums. Considering significant uncertainty, investors that were ready to commit capital wanted to play safe and were ready to do deals at valuations that were significantly lower than what was prevailing pre-COVID-19. Thus, sellers decided to defer their exit plans. While decrease in valuations opened good opportunities for stake acquisitions, it was not viable for investors to exit. A revitalised IPO market and increasing consolidations is expected to contribute significantly to PE exits in the near term.

By the advent of the third quarter, economic activity showed recovery and certain sectors and segments remained unaffected. Sentiments were buoyed by reports of various governments claiming to bring vaccines by the end of this year. Sectors, such as telecom, healthcare, fintech, and online gaming, witnessed massive traction in the early second half of 2020 due to rise in the digital economy that led to increased deal activity, which also resulted in some exit deals.

2020 has been a record year for qualified institutional placement (QIP) funding raising, as the year recorded 26 QIP issues with USD 10.3 billion issue size, the highest in terms of issue size since 2011. India Inc, which needed to repair its balance sheets to cope with the fallout of the COVID-19 pandemic and the ensuing lockdown, tapped fundraising avenues through rights issue and QIP offerings in the second half of 2020. Fund raising through QIP route in 2020 was majorly dominated by financial institutions and banks with 50% of issue volumes and over 63% of total issue size.

Interestingly, this year saw most of the IPOs opening with a premium over the issue price suggesting strong investors' appetite. Adding to the depth of the IPO market, companies from diverse sectors like pharma, telecommunication, IT and financial services have made their way to the IPO space during the period under review. The demand for these offerings we equally witnessed from institutional as well as retail investors. Most the IPO's also witnessed over subscription indicating a rebound in the equity market since the worst sell-off triggered by COVID-19 pandemic.

In view of the scale of disruption caused by the pandemic, it is evident that the current downturn is fundamentally different from recessions. The sudden shrinkage in demand and increased unemployment is going to alter the business landscape. Adopting new principles like 'shift towards localisation, cash conservation, supply chain resilience and innovation' will help businesses in treading a new path in this uncertain environment. The outbreak of the COVID-19 pandemic on an unprecedented global scale has devastatingly affected diverse sectors in India. The adverse impact is being felt in the form of disrupted supply chains, depleted cash flows and steep fall in revenues. As promoters of these ventures attempt tiding over the current crisis to achieve business scale by leveraging operational synergies, an uptick is foreseen in M&A activity. A likely repair of the bruised economy, improving trade relations, policy support and progress on the vaccination front, are the key factors which would drive the sentiment henceforth.

2020, besides being a different year and India being one of the worst affected countries in terms of number of cases, clocked the highest deal activity in over a decade. While this was due to some large deals in Reliance's Jio Platforms, it still speaks of the confidence in the Indian economy and demonstrates the strong fundamentals besides the challenges during the year. This is further supported by the significant PE investments this year, which is perhaps the highest value of PE deals in the last decade and a 28% increase over last year. It is once again a testament to the demonstration of the quick turnaround the economy has witnessed during the present pandemic and this is evident from the fact that almost 50% of the total deal value was witnessed post the Lockdown and in just last four months of 2020.

A resilient and focused response from economic policy makers has not only led to a sharp resurgence but has also set the stage for balanced growth for the country and perhaps attract much more foreign investment. The pandemic has put emphasis on businesses with strong fundamentals which is both on the top line and bottom line. 2021 will perhaps witness a healthy balance between infrastructure that being both brick and mortar as well as technology and at the same time having a consumer focus which are around technology or allied technology. We may witness some new terms gaining emphasis and demonstrating impact such as unit economics, profitability, business model not just revenue model, digitization, problem-solving real-world solutions, Bharat story not just India story, rational valuations and smart cities. We look forward to a better and a healthier 2021 both in terms of world economics and India deal making.

Prashant Mehra
Partner
Grant Thornton Bharat LLP

Key highlights

1 While the unprecedented turbulence and disruption caused by the pandemic in 2020 brought economic activity to a grinding halt globally in Q2 (Covid Phase), a resilient and focused response from economic policy makers across top economies ensured an equally sharp resurgence in the subsequent quarters, post the unlock.

2 India, despite being one of the worst hit countries by the pandemic, recorded a sharp resurgence in deal activity in Q3, driven by the altered sentiment on global supply chain dynamics favouring India and significant consolidation opportunity that emerged with several companies exposed with weaker balance sheets. Total deal values in 2020 surged 29% at USD 77 billion over 2019 and volumes saw marginal increase across 1,301 deals, compared with 1,259 in the previous year.

3 M&A deals jumped 33% to USD 36.9 billion, though on sharply falling volumes, which fell from 443 to 357 deals. The surge in the values was largely supported by Facebook and Google's combined USD 10.1 billion worth stake acquisition in Reliance's Jio Platforms. Apart from the aforementioned two transactions, the year also saw nine other deals value over USD one billion each largely witnessed in the unlock phase of 2020. These top deals accounted for over 64% of total M&A deal values. Despite the surge in the deal values, 2020 recorded only 35 deals valued and estimated between USD 100-999 million compared with 47 such deals in 2019.

4 While cross-border deal volumes fell by 19% compared with the previous year, deal values jumped two times over 2019. Inbound deal volumes decline of 31% was primarily due to closing of borders caused by the pandemic, which was also witnessed in the Q2 2020, recording the lowest deal volumes in any given quarter since 2011. Deal values, on the other hand, witnessed 1.2 times increase over 2019, driven by five large transactions aggregating to USD 13.7 billion, which is 76% of the total inbound deal values in 2020.

5

Indian companies with strong balance sheets have shaken off the shock from the coronavirus pandemic to chase overseas acquisitions, coming back strong after recording the lowest quarterly deal volumes in Q2 2020 since 2011. While the pandemic has dragged India's overall outbound deal volume down 8% this year, deal values recorded an increase of 48% over last year with Indian companies looking to pick up attractive assets whose valuations have been hammered by the virus.

6

Cross-border transactions between India and the US dominated in both the inbound and outbound segments, together totalling 31% of cross-border transaction aggregating to USD 15 billion. Followed by Japan and U.K which dominated the inbound and outbound volumes, respectively.

7

Overseas acquisition from India were spread over 29 geographies/ countries, of which 29 transactions aggregating to USD 2.4 billion were executed in the US majorly in the IT sector (42% of the Outbound volumes). In addition to the US, 20 transactions in aggregate were also executed in the UK, Singapore, Germany, Australia and UAE by Indian companies, representing 26% of total outbound deal values of USD 0.3 billion.

8

PE investment values recorded USD 40.2 billion in 2020 marking the highest yearly values witnessed in any given year since 2011. This surge in the investment values is attributed to USD 9.8 billion funding raised by Reliance's Jio platforms and USD 6.4 billion investment raised by Reliance Retail Ventures during the year followed by four other investments valued over billion dollar each. Despite the stress around COVID-19 and other geopolitical tension around the year, 2020 witnessed 16% growth in the investment volumes compared with 2019 attracting a considerable portion of funding from overseas investors.

9

The year 2020 recorded 26 fund raise via qualified institutional placement (QIP) at USD 10.4 billion, marking the highest fund raised via this route since 2011. This was majorly driven by high value fund raise by giants, such as Bharti Airtel, ICICI Bank, Axis Bank and Kotak Bank, among the top. On the other hand, 18 companies raised USD 6.5 billion via Initial Public Offering (IPO), a 2.5× increase in issue size over 2019. Top three IPO for 2020 were Yes Bank, SBI Cards and Payment Services Ltd and Gland Pharma Ltd.

10

While the Covid phase resulted in declined activity across various sectors, it has encouraged digitization and other disruptive technological megatrends— such as advanced analytics, artificial intelligence, automation, and big data. This in turn saw surge in deal activity in the start up and IT sector given the current times. The unlock phase witnessed steady pick up in the retail and consumer, banking, manufacturing and education against the hospitality and leisure, travel and tourism sectors that were worst affected sectors during the year. Real estate sector also witnessed big ticket consolidations and buyout deals on account of idle land, delays in project completion and high maintenance cost and debt caused by covid. Oil and gas, logistics and warehousing, clean and infra segments also remained active pushing the deal activity.

Deal snapshot 2020

Key deals to look out for in 2021

Notable deals that fell apart in 2020

Monthly deal trend

IPO and QIP activity

Key deals to look out for in 2021

CCI approves	IBC case	In a move to privatise BPCL	Vertical integration	A move into e-commerce industry
• Greenko Group to buy 35% stake in Teesta Urja (TUL). • Medlife merger with Pharmeasy.	• Sale of Jet Airways	• Oil India and Engineers India's 48% stake acquisition in BPCL from Government of India.	• Merger of two Embassy Group units, NAM Estates and NAM Opco with India Bulls Real Estate. • Merger of KKR owned KKR India Financial Services with InCred Finance. • Acquisition of additional 32.67% stake in AirAsia India for USD 37.66 million by Tata Sons from JV partner AirAsia Berhad.	• Tata Group's investment of about USD 940-950 million in BigBasket for about 67% stake,and USD 250 million in 1mg for a majority stake.

Notable deals that fell apart in 2020

Terminated, as the conditions precedent were not fulfilled within the stipulated time period

- Apis Partners-L&T Infrastructure Debt Fund (25% stake for USD 110 million)
- TCG Advisory Services-Religare Finvest Ltd and Religare Housing Development Finance Corp. Ltd (86% stake for USD 46.50 million)
- Adani Logistics-Snowman Logistics Ltd (40% stake for USD 41.69 million)

Absence of regulatory approvals

- Aurobindo Pharma-Sandoz Inc dermatology business and generic US oral solids portfolio Udaipur (100% for USD 900 million)
- Tata Group, GIC and SSG Capital Management - GMR Airports Holding Ltd. (44.4% stake for USD 1.15 billion)
- InCred Financial Services Ltd-L&T Capital Ltd - wealth management business (100% stake for USD 2.5 million)
- Airtel Networks Kenya Ltd (Bharti Airtel Ltd)- Telkom Kenya Ltd (Merger)
- Muthoot Finance Ltd- IDBI Asset Management Ltd and IDBI MF Trustee Company Ltd (100% acquisition for USD 30.3 million)
- Axis Bank to buy 19% stake in Max Life instead of 29%

Breach of agreement

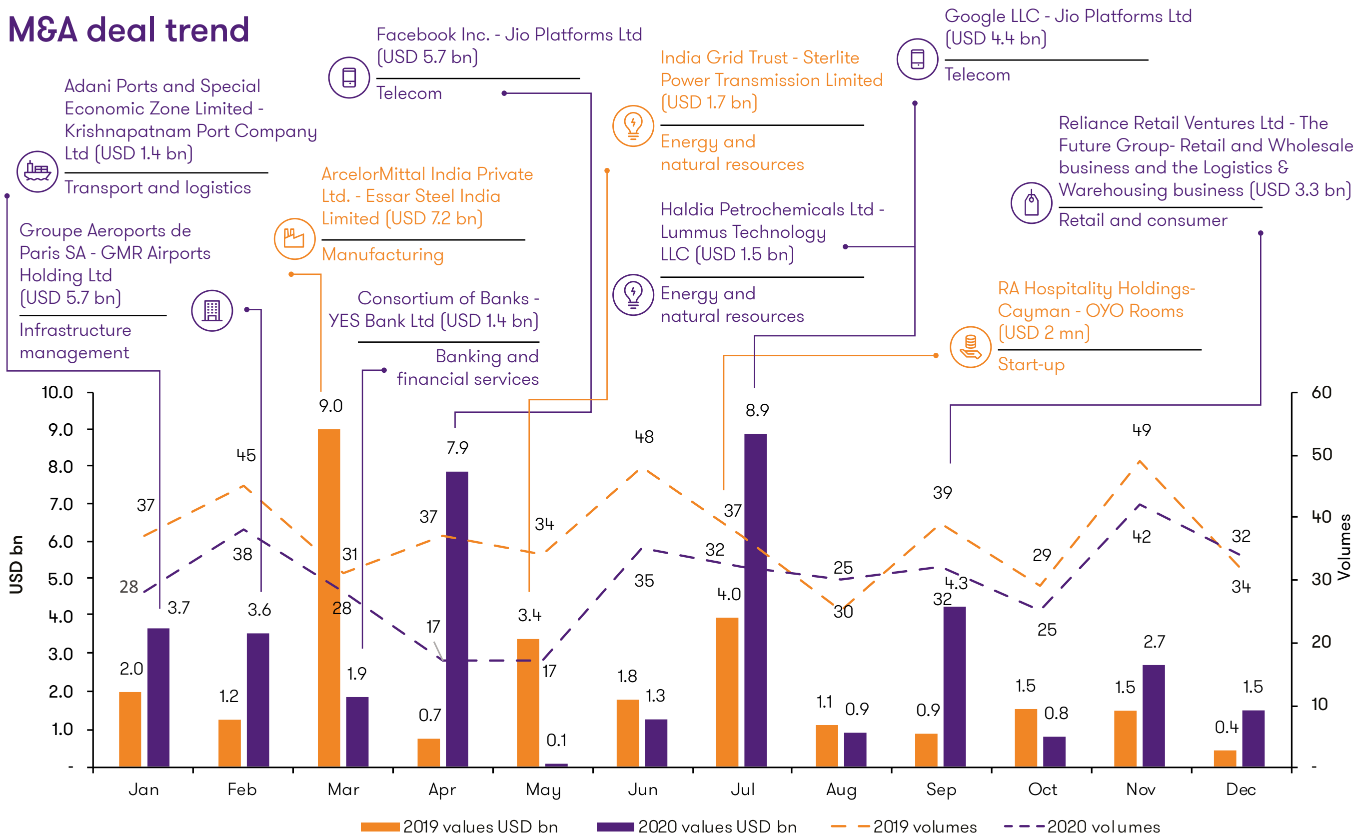
- Ebix Inc-Yatra Online Pvt Ltd (100% stake for USD 337.80 million)
- Abu Dhabi Investment Authority, PSP Investments of Canada, and the National Investment and Infrastructure Fund - GVK Airport Developers Ltd and GVK Airport Holdings Ltd (79% stake for USD 1.1 billion)

Impact of COVID-19

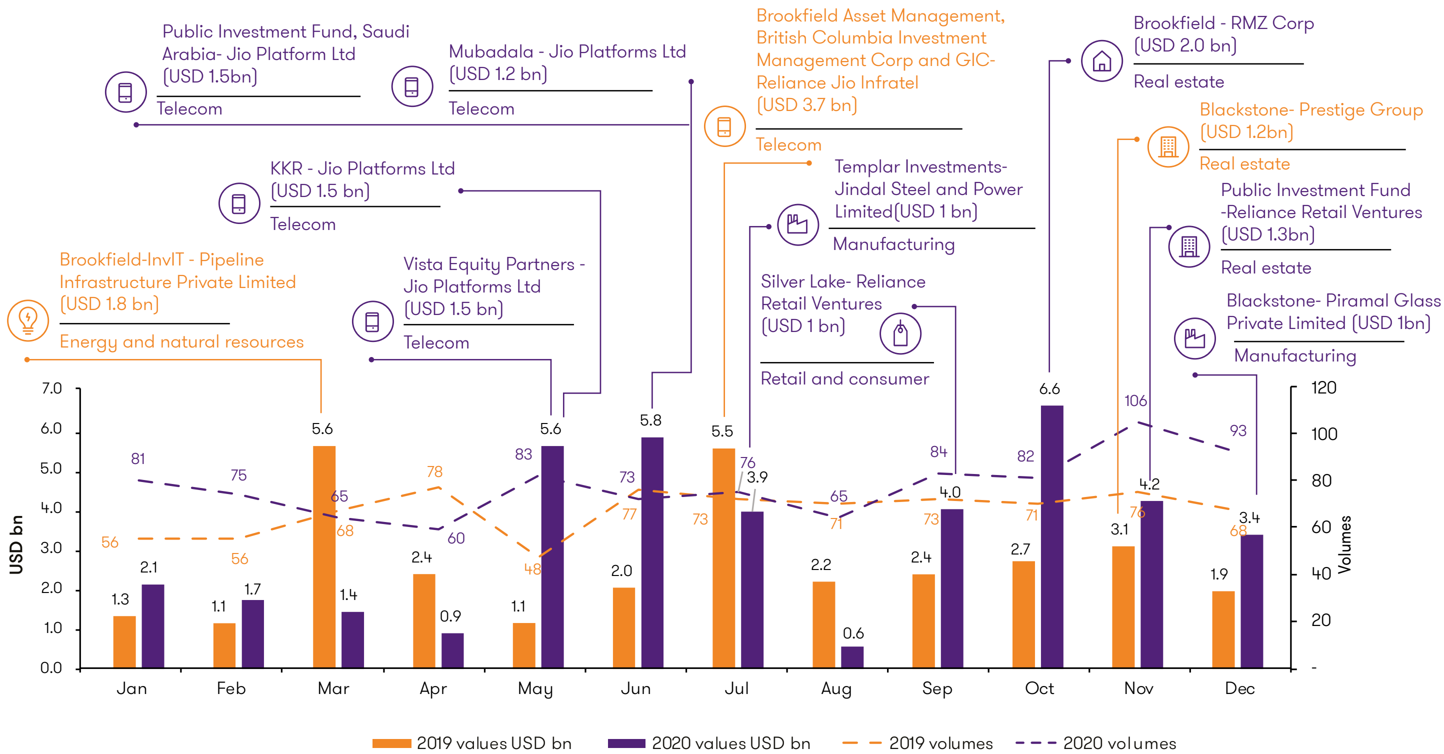
- JSW Energy Ltd-GMR Kamalanga Energy Limited (100% acquisition for USD 749.4 million)
- Wockhardt amends INR 1,850 crore deal with Dr. Reddy's (100% stake for USD 250 million)

Monthly deal trend

M&A deal trend



PE deal trend

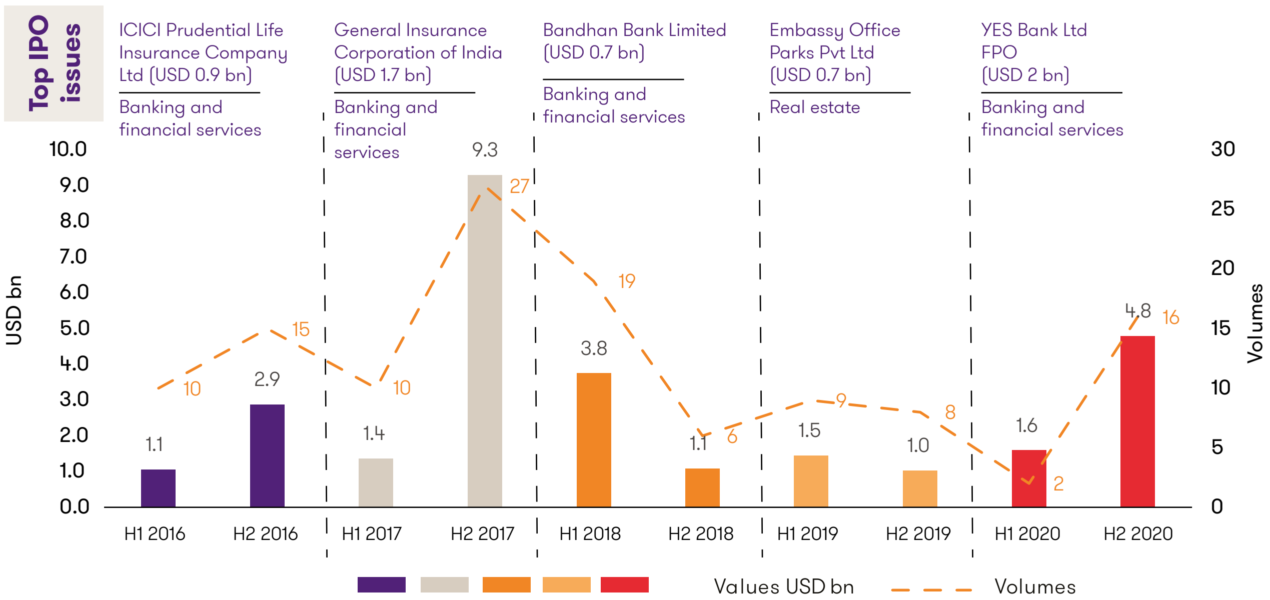


IPO and QIP activity

IPO snapshot

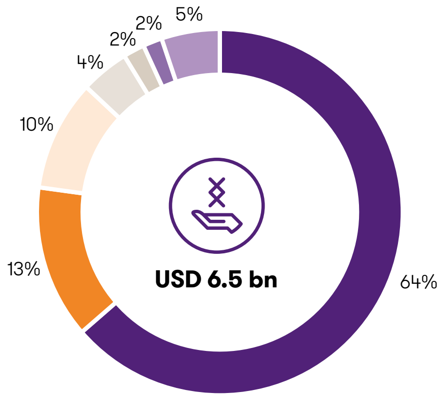
2020 witnessed 6% increase in the IPO volumes with 1.6X rise in the issue size compared with 2019.

The year began with two IPOs in the first quarter with issue size USD 1.6 billion and saw muted activity in Q2 2020 owing to the disruption caused by COVID-19. However, with the unlocking, the markets turned positive and Q3 saw 10 IPOs raising USD 3.4 billion. Continuing the positive sentiment, Q4 reported six IPOs with issue size USD 1.5 billion. Companies ranging from waste managing services, to asset management, technology solution providers, broking firms and even biotechnology companies came out with IPOs post the lockdown phase. The demand for these offerings were witnessed equally from institutional as well as retail investors as most of the IPO's witnessed over subscription indicating a rebound in the equity market since the worst sell-off triggered by the COVID-19 pandemic.

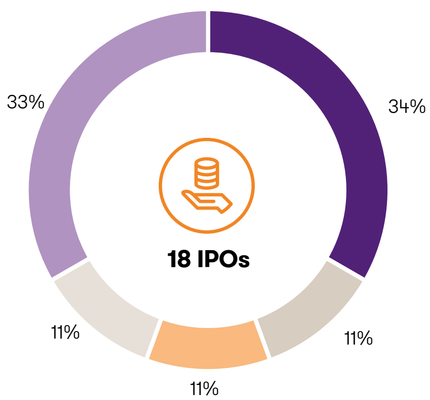


Sector trend - 2020

By values



By volumes

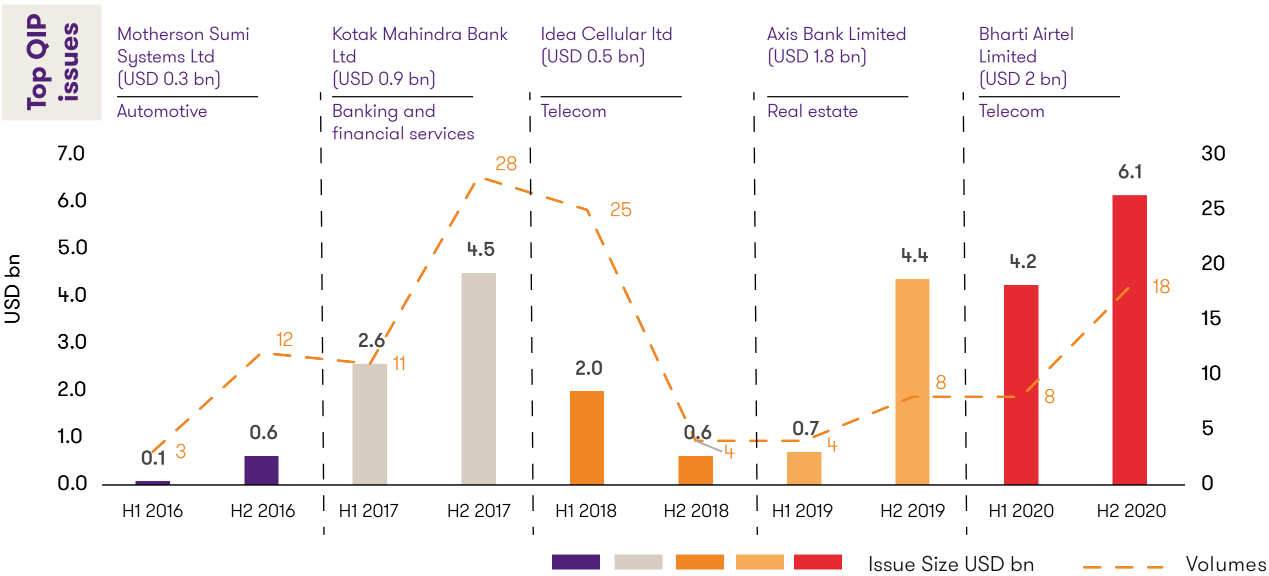


■ Banking and financial services ■ Pharma, healthcare and biotech ■ Real estate ■ Telecom
■ Infrastructure management ■ Hospitality and leisure ■ Manufacturing ■ Others

QIP snapshot

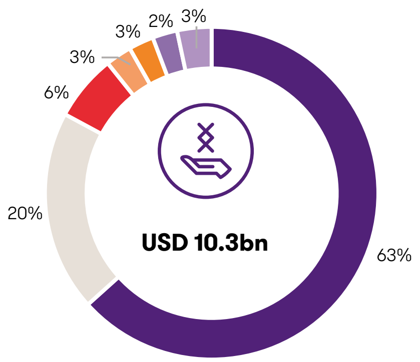
2020 has been a record year for QIP funding raising as the year recorded 26 QIP issues with USD 10.3 billion issue size, the highest in terms of issue size since 2011.

QIP activity came strong after the lockdown in Q2 2020, raising 10 issues in the third quarter of 2020 valued at USD 4.8 billion, the highest raised in any given quarter since 2011. Even as the impact of the COVID-19 pandemic was witnessed affecting majority of the sectors, Indian financial services businesses were witnessed to be more proactive in tapping the markets to raise funds as compared with other sectors with 50% of QIP issues in 2020. To further encourage and help companies to raise funds amid disruptions caused by the COVID-19 pandemic, markets regulator Securities and Exchange Board of India (SEBI) has also relaxed the norms for QIP.

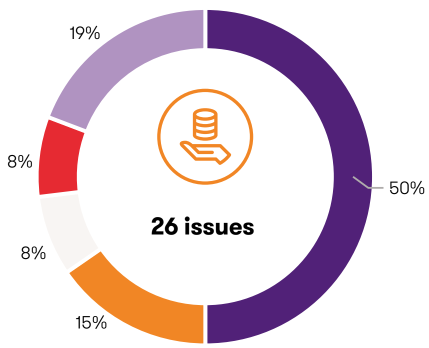


Sector trend - 2020

By values



By volumes



Banking and financial services · Telecom · Retail and consumer · Agriculture and forestry · Manufacturing · E-commerce · Real estate · Others

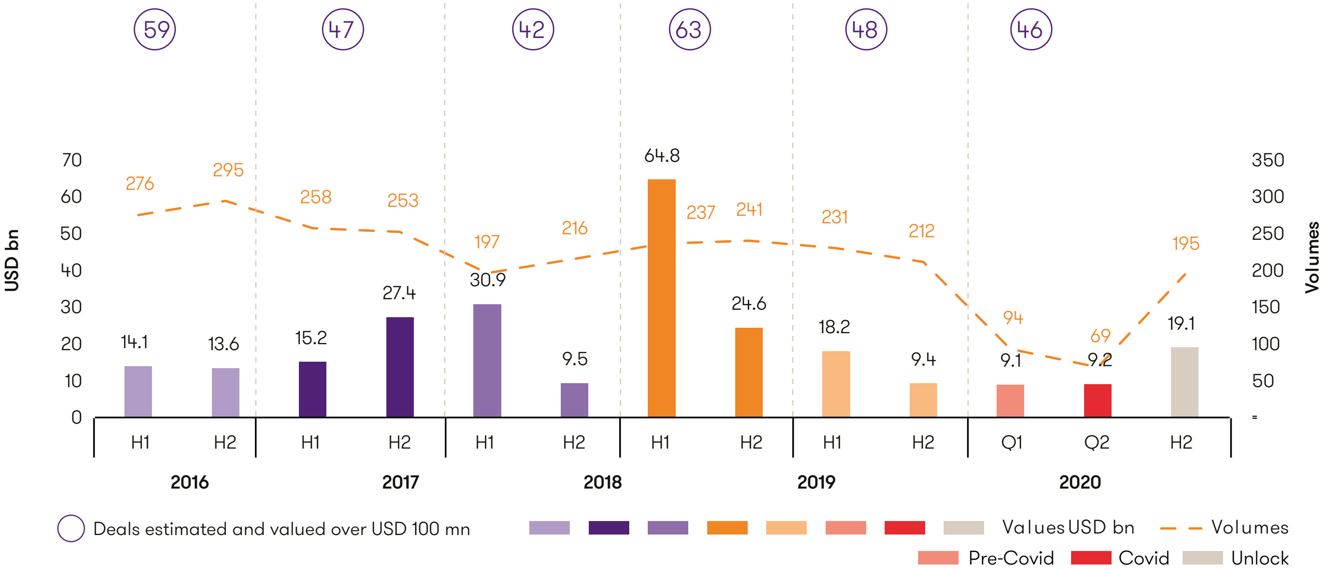
Year-on-year performance

M&A deal trend

PE deal trend

M&A deal trend

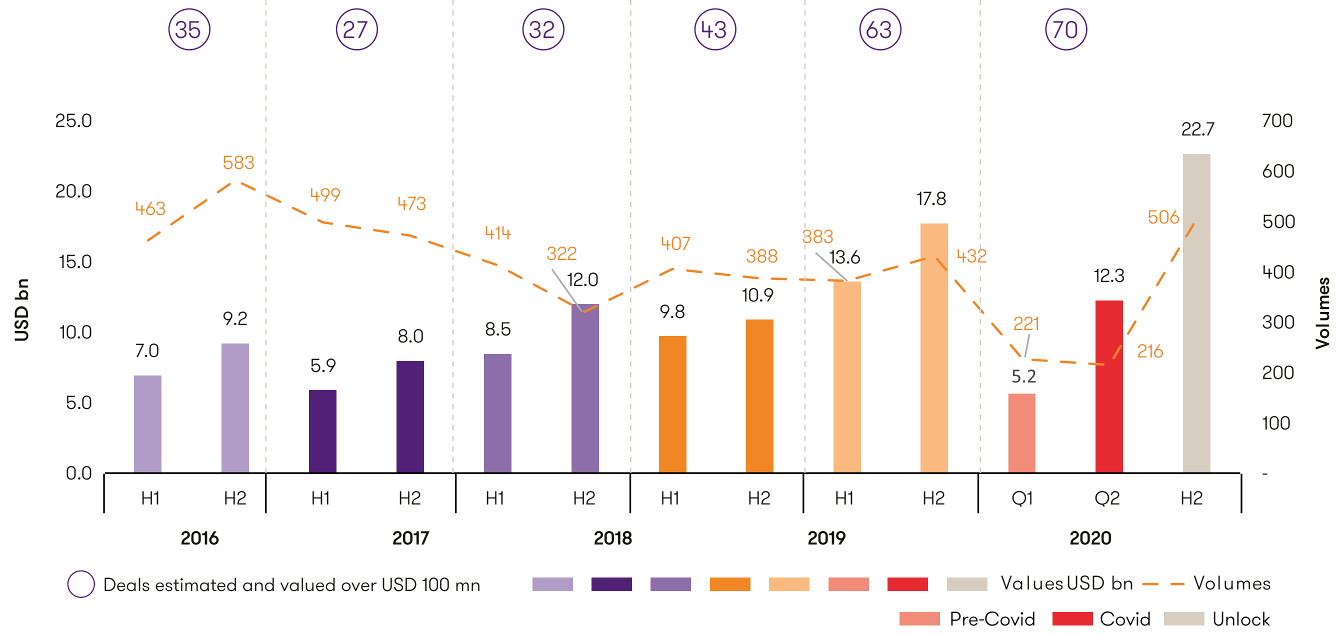
Deal summary	**571 deals** **USD 27.8 bn**	**511 deals** **USD 42.6 bn**	**413 deals** **USD 40.4 bn**	**478 deals** **USD 89.4 bn**	**443 deals** **USD 27.6 bn**	**358 deals** **USD 37.5 bn**
Top deals	Vedanta Ltd-Cairn India Ltd (USD 2.3 bn)	Rosneft PJSC, Trafigura and United Capital Partners-Essar Oil (USD 12.9 bn)	Idea-Vodafone (USD 23 bn)	Walmart-Flipkart (USD 16 bn)	ArcelorMittal-Essar Steel (USD 7.2 bn)	Facebook-Jio Platforms (USD 5.7 bn)



Top sector by value	Energy and natural resources (16%)	Energy and natural resources (41%)	Telecom (62%)	Telecom (22%)	Manufacturing (29%)	Telecom (29%)
Top sector by volume	Start-up (23%)	Start-up (28%)	Start-up (22%)	Start-up (24%)	IT & ITeS (18%)	Start-up (20%)

PE deal trend

Deal summary	**1,046 deals** **USD 16.2 bn**	**972 deals** **USD 13.9 bn**	**736 deals** **USD 20.5 bn**	**795 deals** **USD 20.7 bn**	**815 deals** **USD 31.4 bn**	**943 deals** **USD 40.2 bn**
Top deals	Baillie Gifford, Greenoaks Capital, Steadview Capital, T Rowe Price Associates, QIA, DST Global, GIC, Iconiq Capital, and Tiger Global-Flipkart (USD 0.7 bn)	Brookfield-Reliance Infratel (USD 1.6 bn)	SoftBank - Flipkart (USD2.5 bn)	ADIA and TPG Capital-UPL Ltd (USD 1.2 bn)	Brookfield-Reliance Jio Infratel (USD 3.7 bn)	Brookfield- RMZ Corp- real estate assets (USD 2 bn)



Top sector by value	Start-up (31%)	Start-up (17%)	Ecommerce (29%)	Start-up (23%)	Start-up (17%)	Telecom (24%)
Top sector by volume	Start-up (65%)	Start-up (69%)	Start-up (61%)	Start-up (61%)	Start-up (61%)	Start-up (64%)

Mergers and acquisitions dealscape

M&A sector focus

The year witnessed maximum consolidation in the start-up sector, with 20% of M&A deal volumes, followed by the IT sector. This uptick in the tech sectors was due to adoption of new age business models in conventional sectors to adapt to the new normal of social distancing and travel restrictions. Amid this, a halt was witnessed in aviation, hospitality, travel and tourism sectors, which are largely dependent of physical movement of people resulting in disproportionately being impacted. Byju's' acquisition of WhiteHat Jr in a USD 300 million deal was one of the most significant deal of the year and it demonstrated the upward trajectory of the ed-tech sector. In healthcare perspective, teleconsultation has started gaining popularity; Amazon's launch of online pharmacy and Reliance's acquisition of Netmeds showcase the potential that the sector has to offer.

Foreign tech giants, such as Google and Facebook, have acquired stakes in Jio platforms, pushing the telecom sector value to USD 10.8 billion, a 29% of M&A deal values in 2020. Buoyed by surge in new orders and production, the manufacturing sector recorded 29 deals. The year also witnessed Embassy Office Parks REIT acquisition of Embassy TechVillage's (ETV) assets for USD 1.3 billion in the single-largest property commercial deal of the country. This will make Embassy REIT the largest office space in Asia.

The year witnessed billion dollar deals across sectors with the rationale to; the telecom sector (to pare debt), infra sector (to pare debt), transport and logistics sector (to increase the market share), banking and financial services sector (as part of the RBI rescue plan), energy and natural resources sector (as part of one of the government's largest asset-sale exercises), retail and consumer sector (to expand brick-and-mortar retail empire).

Sector	Volume 2018	Volume 2019	Volume 2020	Values USD mn 2018	Values USD mn 2019	Values USD mn 2020
Start-up	113	78	71	788	2,584	1,097
IT and ITeS	67	81	60	5,619	1,663	2,300
Pharma, healthcare and biotech	35	46	32	1,627	2,566	1,089
Energy and natural resources	19	18	15	12,249	4,539	5,160
Banking and financial services	33	30	20	2,748	1,692	1,701
Retail and consumer	25	30	22	5,306	1,399	4,223
Automotive	7	13	24	260	500	647
Manufacturing	43	37	29	16,045	8,110	2,186
Media and entertainment	29	21	15	1,605	240	80
Education	14	13	13	273	383	86
E-commerce	24	20	11	16,887	817	1,447
Professional/ business services	19	12	11	106	86	186
Infrastructure management	8	7	8	635	1,451	2,137
Aerospace and defence sector	3	2	1	403	3	8
Agriculture and forestry	13	5	4	4,353	324	653
Real estate	6	5	5	541	305	1,569
Transport and logistics	3	9	8	133	381	2,032
Telecom	7	3	8	19,275	35	10,819
Hospitality and leisure	10	12	1	576	551	41

Top sectors based on deal volumes

Volume	2018	2019	2020
Values USD mn	2018	2019	2020

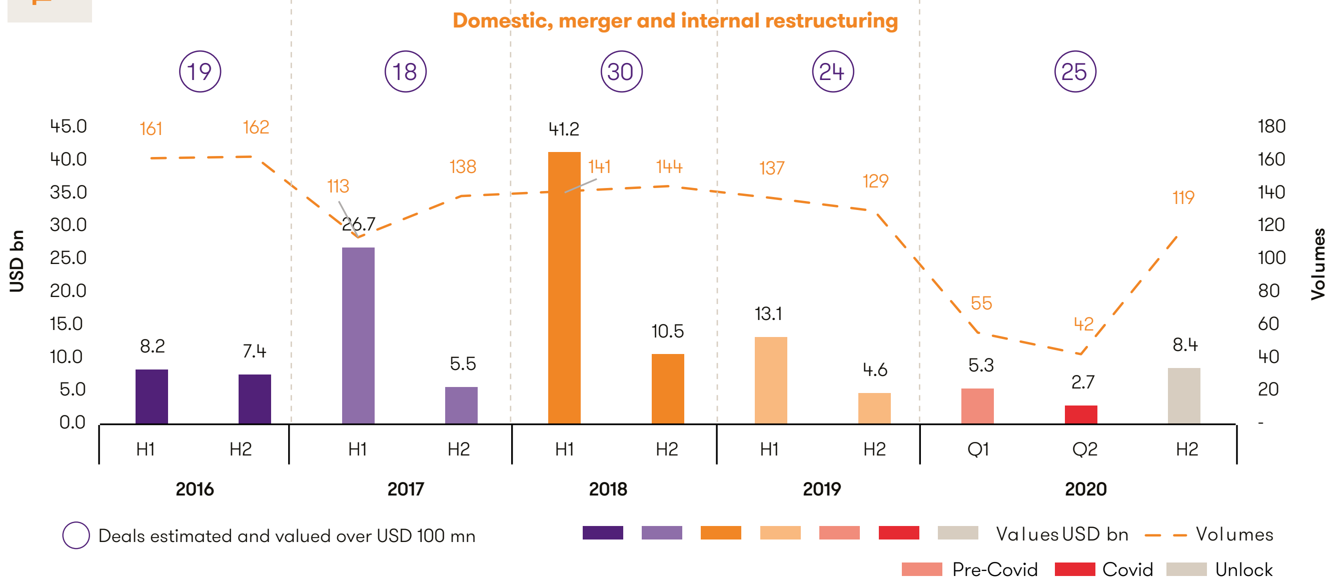
Domestic, merger and internal restructuring

2020 witnessed the lowest deals recorded in a quarter i.e. during the COVID-19 phase at 42 deals and ended the year with 61 deals in Q4 2020. Compared with 2019, 2020 recorded 19% decline in deal volumes, with only 7% decrease in the deal values, demonstrating an increase in the average deal size. The average deal size increased from USD 67 million in 2019 to USD 76 million in 2020.

The year witnessed some marquee transactions such as Reliance's acquisition of Future Group, for USD 3.3 billion, to increase its retail market in India against Amazon's foothold. Adani's acquisition of Krishnapatnam Port for USD 1.4 billion, marks the single-biggest acquisition by the company, that will help its market share increase from 22% to 27%.

While COVID-19 practically disrupted all businesses, corporates were left either quitting or pressing ahead with the ongoing deals. Decisions were largely made based on liquidity position, valuation trends, regulatory changes and other practical aspects relating to lockdowns and border closures.

Deal summary	**323 deals** **USD 15.6 bn**	**251 deals** **USD 32.3 bn**	**285 deals** **USD 51.7 bn**	**266 deals** **USD 17.7 bn**	**216 deals** **USD 16.4 bn**
Top deals	UltraTech Cement-Jaiprakash Associates (USD 2.4 bn)	Idea-Vodafone (USD 23 bn)	Bharti Infratel-Indus Towers (USD 14.6 bn)	ArcelorMittal-Essar Steel (USD 7.2 bn)	Reliance Retail-Future Group (USD 3.3 bn)



Top sector by value	Manufacturing (37%)	Telecom (74%)	Telecom (36%)	Manufacturing (43%)	Retail and consumer (24%)
Top sector by volume	Start-up (40%)	Start-up (31%)	Start-up (33%)	Start-up (24%)	Start-up (29%)

Sector movement compared with 2019

2020 witnessed an overall decline in the deal activity volumes. However, energy, infra, real estate and education sectors witnessed marginal increase in deal volumes. On the other hand, start-up, banking, retail and logistics sector saw high value deals in aggregate compared with 2019.

The complete lockdown across the country slowed down the demand of transport fuels (accounting for two-third demand in oil & gas sector) as auto and industrial manufacturing declined, and goods and passenger movement (both bulk and personal) fell. However, most essential services and sectors have continued to run during the pandemic helping retail, agri, tech, banking sectors retain some momentum.

Volumes

Sector	2019	2020
Start-up	64	63
Pharma, healthcare and biotech	20	18
Banking and financial services	20	17
IT & ITeS	36	17
Manufacturing	22	17
Retail and consumer	16	14
E-commerce	14	09
Media and entertainment	12	09
Automotive	08	07
Professional/ Business services	07	06
Transport and logistics	07	04
Aerospace and defence	02	01
Agriculture and forestry	02	01
Hospitality and leisure	08	01
Telecom	03	01
Education	11	12
Energy and natural resources	08	10
Infrastructure management	04	05
Real estate	02	04

2019 2020

The data only pertains to domestic deals and excludes mergers and internal restructuring deals.

Value (USD mn)

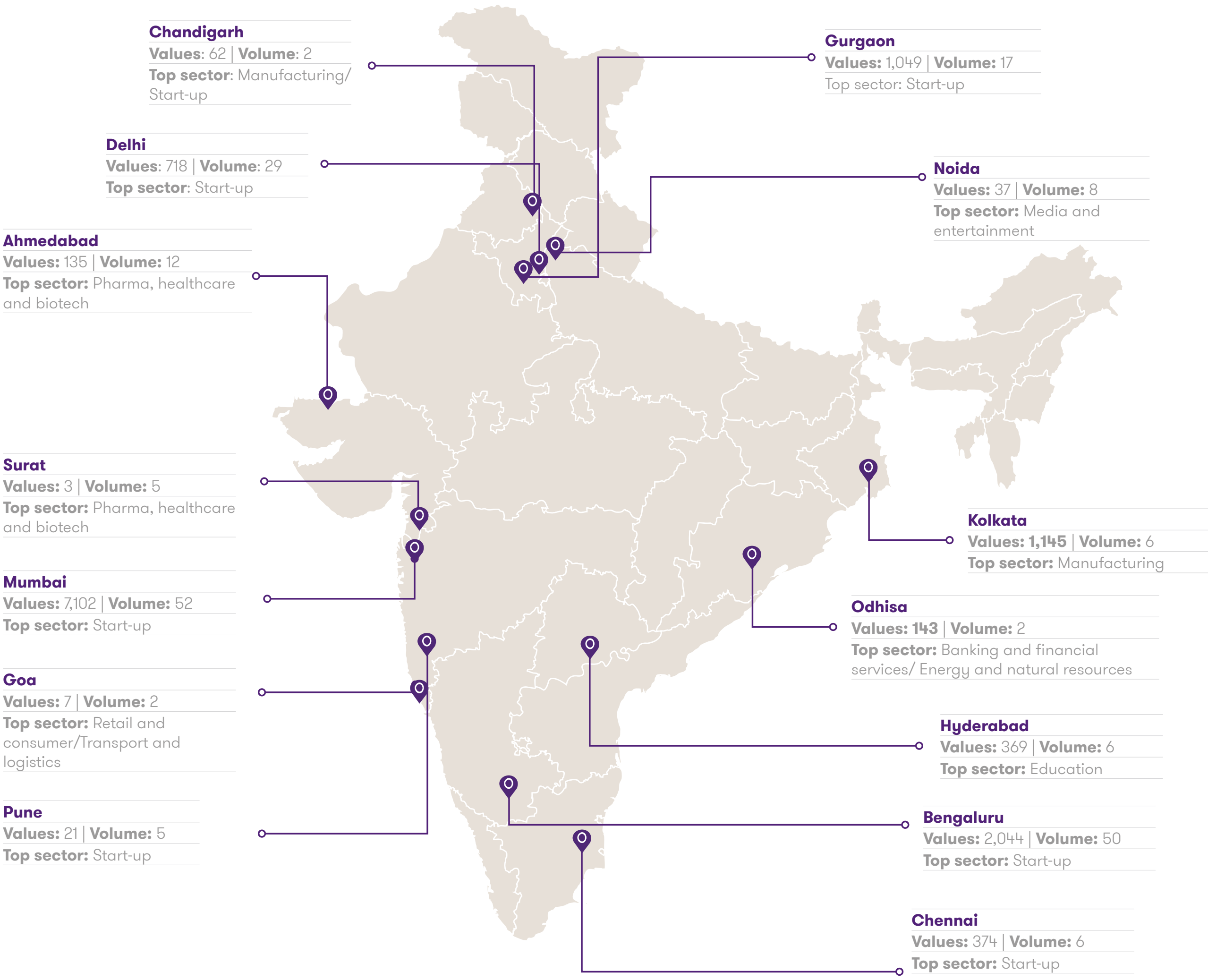
Sector	2019	2020
Pharma, healthcare and biotech	1,661	648
IT & ITeS	890	172
Manufacturing	7,568	1,837
E-commerce	254	242
Media and entertainment	89	35
Automotive	426	162
Professional/ Business services	39	30
Hospitality and leisure	124	41
Energy and natural resources	3,026	2,096
Infrastructure management	1,390	237
Start-up	328	1,069
Banking and financial services	703	1,561
Retail and consumer	722	4,003
Transport and logistics	198	1,786
Aerospace and defence	03	08
Agriculture and forestry	70	280
Telecom	35	595
Education	63	81
Real estate	143	1,557

2019 2020

The data only pertains to domestic deals and excludes mergers and internal restructuring deals.

Domestic deal activity - Cities in focus

Mumbai, Bengaluru and NCR region remained active in 2020, recording 77% of the domestic transactions and remained the largest recipient of funds with deal values amounting to USD 11 billion, a 67% of total domestic deal values during the year. While these cities mainly focused their consolidations in the start-up sector, tier 2 cities, such as Ahmedabad, Kolkata, Chandigarh and Odisha, witnessed consolidations in the pharma, manufacturing, retail and banking sectors.



Values in USD mn

The data only pertains to domestic deals and excludes mergers and internal restructuring deals.

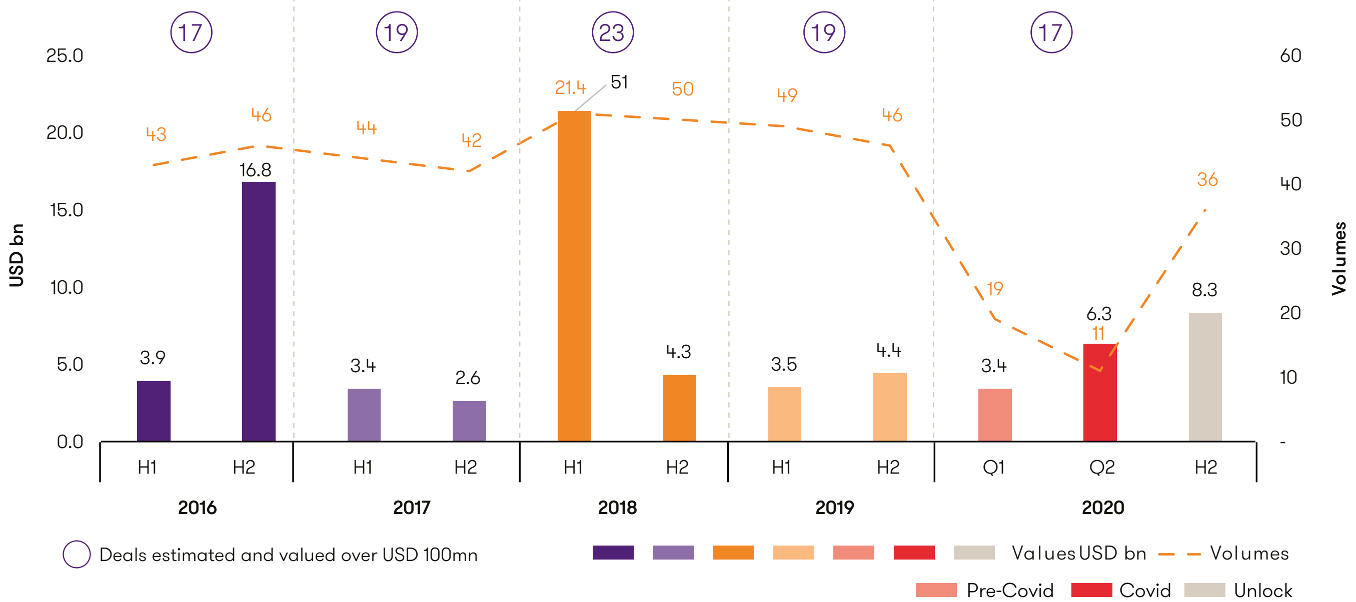
Top cities based on target destinations

Inbound deal trend

Inbound deal volumes decline of 31% was primarily due to closing of borders caused by the pandemic, which was also witnessed in the Q2 2020, recording the lowest deal volumes in any given quarter since 2011. Deal values, on the other hand, witnessed 1.2 times increase over 2019, driven by five large transactions aggregating to USD 13.7 billion, which is 76% of the total inbound deal values in 2020. Caught by the disruptions of the pandemic, Indian businesses have become vulnerable thus enabling overseas companies to make acquisitions at attractive valuations.

Deal summary	**89 deals** **USD 20.7 bn**	**86 deals** **USD 6 bn**	**101 deals** **USD 25.7 bn**	**95 deals** **USD 7.9 bn**	**66 deals** **USD 18.1 bn**
Top deals	Rosneft PJSC, Trafigura and United Capital Partners-Essar Oil ($12.9 bn)	Tencent-Flipkart ($0.7 bn)	Walmart-Flipkart ($16 bn)	RA Hospitality Holdings-Cayman-OyoRooms ($2 bn)	Facebook Inc-Jio Platforms ($5.7 bn)

Inbound deal trend



Top sector by value	Energy & Natural Resources (65%)	E-commerce (29%)	E-commerce (65%)	Start-up (29%)	Telecom (56%)
Top sector by volume	Start-up (18%)	IT & ITES (17%)	IT & ITES (20%)	IT & ITES (18%)	IT & ITES (17%)

Sector movement compared with 2019

Core sectors, such as auto, infra, manufacturing, telecom and transport and logistics, witnessed an uptick in deal activity compared with 2019, recording high value deals of over USD 100 million. Sectors, such as IT, energy and e-commerce, which present tremendous potential witnessed interest from international players looking to expand their footprint in India. Sectors, including education, hospitality, media and entertainment, real estate and professional services, remained muted during the year.

Volumes

Sector	2019	2020
Banking and financial services	09	03
E-commerce	06	02
Education	01	-
Energy and natural resources	08	02
Hospitality and leisure	01	-
IT & ITeS	17	11
Media and entertainment	05	01
Pharma, healthcare and biotech	07	05
Professional/ Business services	02	01
Real estate	03	01
Start-up	14	08
Agriculture and forestry	02	02
Retail and consumer	06	06
Automotive	01	04
Infrastructure management	02	03
Manufacturing	09	10
Telecom	-	03
Transport and logistics	02	04

Value (USD mn)

Sector	2019	2020
Banking and financial services	977	140
Education	200	-
Hospitality and leisure	05	-
Manufacturing	444	316
Media and entertainment	25	05
Pharma, healthcare and biotech	733	315
Professional/ Business services	10	05
Real estate	163	12
Retail and consumer	538	200
Start-up	2,256	29
Agriculture and forestry	240	368
Automotive	35	421
E-commerce	563	1,205
Energy and natural resources	1,309	1,510
Infrastructure management	37	1,900
IT & ITeS	185	1,221
Telecom	-	10,184
Transport and logistics	183	245

2019 2020

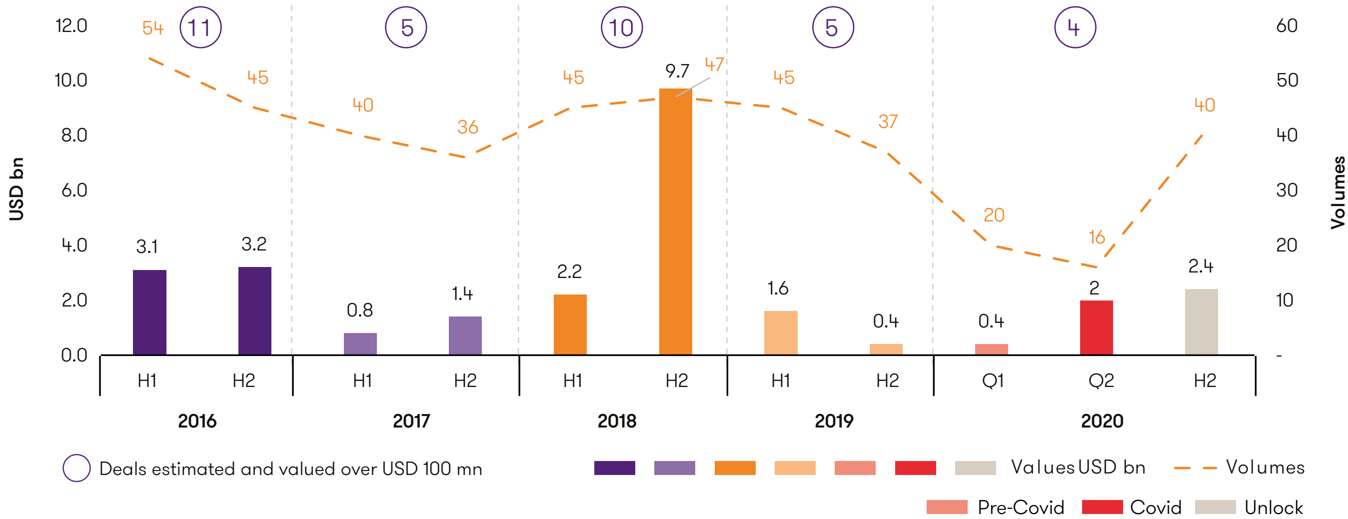
Outbound deal trend

Indian companies with strong balance sheets have shaken off the shock from the coronavirus pandemic to chase overseas acquisitions, coming back strong after recording the lowest quarterly deal volumes in Q2 2020 since 2011. While the pandemic has dragged India's overall outbound deal volume down 8% this year, deal values recorded an increase of 48% over last year with Indian companies looking to pick up attractive assets whose valuations have been hammered by the virus.

The IT sector remained hotspot for overseas acquisitions as Indian firms look to build capabilities in weak areas, resulting in deals in digital, cloud and SaaS (software as a service) space seeing healthy activity.

Deal summary	**99 deals** **USD 6.3 bn**	**76 deals** **USD 2.2 bn**	**92 deals** **USD 12 bn**	**82 deals** **USD 2 bn**	**76 deals** **USD 3 bn**
Top deals	Indian Oil Corp, Oil India Ltd and a unit of Bharat Petroleum Corp. Ltd-Tass-Yuryakh oilfield (USD 1.3 bn)	Fortis Healthcare-RHT Health Trust (USD 0.7 bn)	UPL Ltd- Arysta Lifescience (USD 4.2 bn)	OyoRooms-Leisure Group (USD 0.4 bn)	Haldia Petrochemicals-Lummus Technology (USD 1.5 bn)

Outbound deal trend



Top sector by value	Energy & Natural Resources (35%)	Pharma, Healthcare & Biotech (64%)	Agriculture & Forestry (35%)	IT & ITeS (30%)	Energy & Natural Resources (53%)
Top sector by volume	Pharma, Healthcare & Biotech (25%)	IT & ITeS (33%)	IT & ITeS (35%)	IT & ITeS (35%)	IT & ITeS (42%)

Sector movement compared with 2019

In 2020, the auto, energy, telecom, IT and professional services sectors saw increased deal activity, both in terms of deal volumes and values. Infra, banking and hospitality sectors, however, saw muted deal activity compared with 2019. The technology sector has been the most acquisitive. Companies, such as Infosys, HCL Technologies, Wipro and Tech Mahindra, have made overseas acquisitions.

Volumes

Sector	2019	2020
Banking and financial services	01	-
Hospitality and leisure	03	-
Infrastructure management	01	-
Manufacturing	06	02
Pharma, healthcare and biotech	19	09
Retail and consumer	08	02
Agriculture and forestry	01	01
Education	01	01
Automotive	04	13
Energy and natural resources	02	03
IT & ITeS	29	32
Media and entertainment	04	05
Professional/ Business services	03	04
Telecom	-	04

Value ($ mn)

Sector	2019	2020
Agriculture and forestry	13	05
Banking and financial services	11	-
Education	120	05
Hospitality and leisure	422	-
Infrastructure management	24	-
Manufacturing	98	32
Media and entertainment	126	40
Pharma, healthcare and biotech	172	126
Retail and consumer	139	19
Automotive	38	64
Energy and natural resources	205	1,554
IT & ITeS	590	907
Professional/ Business services	36	151
Telecom	-	40

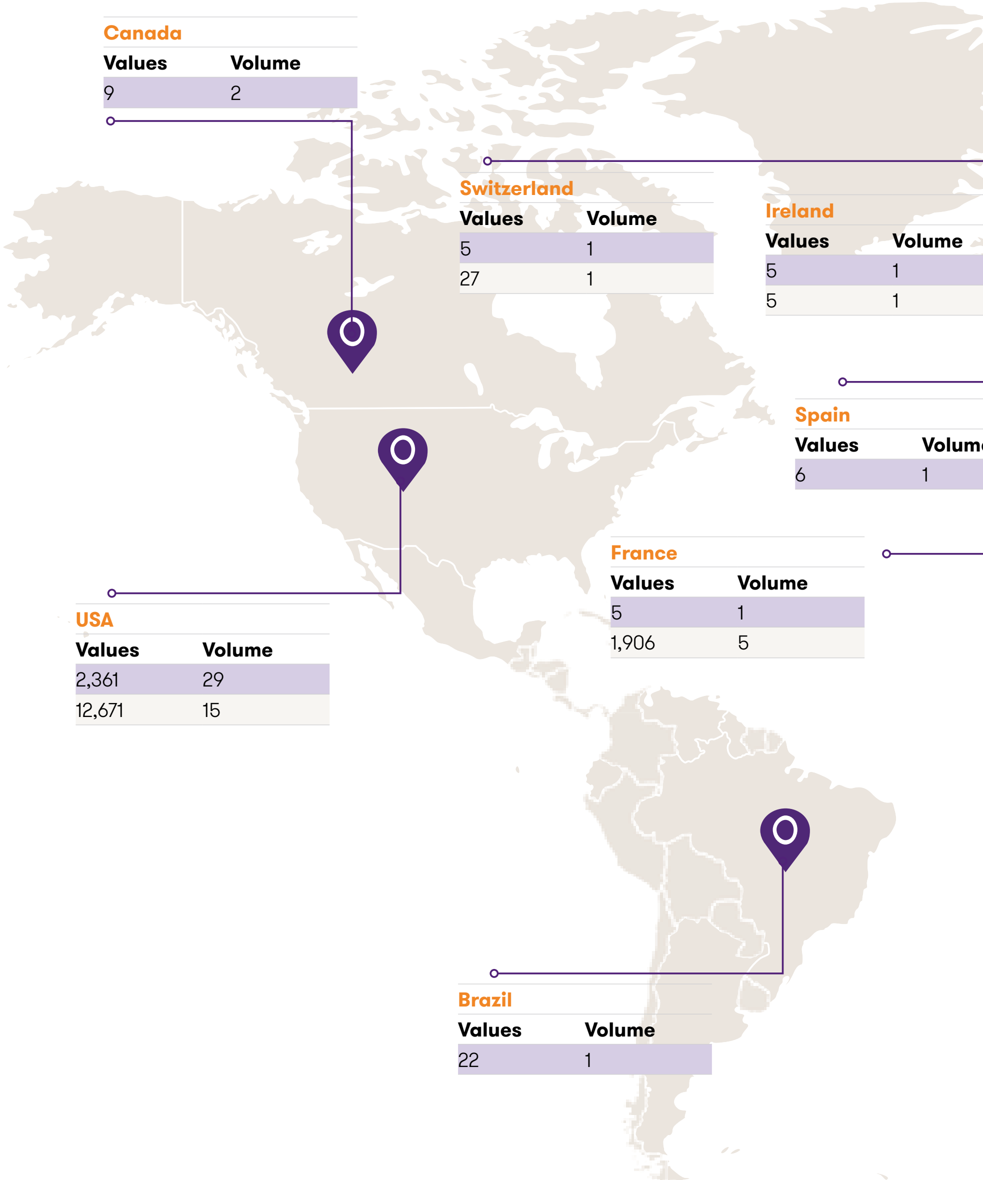
2019 2020

Cross-border deals: Geographic track

While cross-border deal volumes fell by 19%, compared with the previous year, deal values exceeded twice the 2019 values driven by Facebook and Google's combined USD 10.1 billion worth stake acquisition in Reliance's Jio Platforms and Haldia Petrochemical's stake acquisition of Lummus Technology for USD 1.5 billion. The year in total recorded six deals in the billion-dollar category and 15 deals estimated and valued over USD 100 million as against one and 23 deals recorded in 2019, respectively.

Cross-border transactions between India and the USA dominated in both the inbound and outbound segments, together totalling 31% of cross-border transaction, aggregating to USD 15 billion, followed by Japan and the UK that dominated the inbound and outbound volumes, respectively.

Overseas acquisition from India were spread over 29 geographies/countries, of which 29 transactions aggregating to USD 2.4 billion were executed in the USA, majorly in the IT sector (42% of outbound volumes). In addition to the US, 20 transactions in aggregate were also executed in the UK, Singapore, Germany, Australia and the UAE by Indian companies, representing 26% of the total outbound deal values of USD 0.3 billion.



UK

Values	Volume
85	7
1,187	7

Belgium

Values	Volume
79	1
25	2

Denmark

Values	Volume
5	1
18	1

Canada

Values	Volume
9	2

Switzerland

Values	Volume
5	1
27	1

Ireland

Values	Volume
5	1
5	1

Spain

Values	Volum
6	1

France

Values	Volume
5	1
1,906	5

USA

Values	Volume
2,361	29
12,671	15

Brazil

Values	Volume
22	1

Netherlands

Values	Volume
6	2
12	1

Germany

Values	Volume
11	2
230	3

Norway

Values	Volume
181	1

Sweden

Values	Volume
75	2

Prague

Values	Volume
36	1

Turkey

Values	Volume
17	1

Italy

Values	Volume
6	2

UAE

Values	Volume
36	3
5	1

Japan

Values	Volume
396	10

China

Values	Volume
408	6

Kenya

Values	Volume
14	1

Singapore

Values	Volume
28	4
894	4

South Africa

Values	Volume
10	3
106	1

Australia

Values	Volume
137	3
6	2

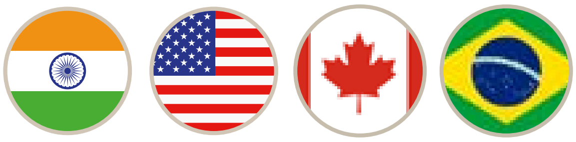
New Zealand

Values	Volume
34	2

Values in USD mn

Outbound
Inbound

Corridors



India-Americas

Inbound

Year	Volumes	Values USD mn
2016	29	1,580
2017	31	2,696
2018	44	18,913
2019	32	1,571
2020	16	12,716

Outbound

Year	Volumes	Values USD mn
2016	38	1,799
2017	29	631
2018	45	10,266
2019	31	688
2020	32	2,393

Top sector attraction by volume - 2020

Inbound

- IT & ITeS 44%
- Telecom 19%
- Start-up 13%
- E-commerce 6%
- Pharma, health-care and biotech 6%
- Real estate 6%
- Transport and logistics 6%

Outbound

- IT & ITeS 56%
- Pharma, healthcare and biotech 19%
- Media and entertainment 9%
- Agriculture and forestry 3%
- Automotive 3%
- Energy and natural resources 3%
- Professional/ Business services 3%
- Telecom 3%

Americas includes both North and South America.

Top deals

Inbound: Acquirer | Target | Value
Outbound: Acquirer | Target | Value

Sector	Acquirer	Target	Value
Telecom	Facebook Inc.	Jio Platforms Ltd	USD 5,700 mn
Telecom	Google LLC	Jio Platforms Ltd	USD 4,439 mn
Energy and natural resources	Haldia Petrochemicals Ltd	Lummus Technology LLC	USD 1,544 mn
E-commerce	Walmart Inc	Flipkart Online Services Pvt Ltd	USD 1,200 mn
IT & ITeS	Clarivate Analytics Plc	Piramal Enterprise Ltd- Decision Resources Group	USD 950 mn

Expert speak

The India-USA corridor remained vibrant in 2020, with M&A between the USA and India touching USD 15 billion in 2020, comprising USD 13 billion of inbound investment. Deal value increased significantly from USD 2.5 billion in the previous year, primarily driven by interest in India tech stack, through two large ticket investments from Facebook and Google in Jio Platforms Ltd. Similarly, as per industry source, the interest from US financial investors (PE&VC) also remained secular in 2020, with investments doubling from last year and touching USD 12.3 billion during the January-September period.

As we investigate the future post pandemic, India is beginning to be recognised as a strong contender for sourcing by global supply chains, as the USA companies implement their China plus One strategy. This change in global positioning, combined with India's accommodative foreign investment policies, improvement in ease of doing business and a new US administration, which is likely to reduce policy uncertainty and reinvigorate trade talks, are all expected to further strengthen the USA-India business and deal outlook.

Siddhartha Nigam
National Managing Partner
Growth and Clients & Markets
Grant Thornton Advisory Private Limited

Corridors

India-UK

Inbound

Year	Volumes	Values USD mn
2016	4	214
2017	6	423
2018	2	10
2019	3	2,010
2020	7	1,187

Outbound

Year	Volumes	Values USD mn
2016	13	1,252
2017	5	34
2018	4	177
2019	9	337
2020	7	85

Top sector attraction by volume - 2020

Inbound

Manufacturing	Banking and financial services	Energy and natural resources	IT and ITeS	Pharma, health-care and biotech	Start-up
30%	14%	14%	14%	14%	14%

Outbound

IT and ITeS	Automotive	Education	Manufacturing
43%	29%	14%	14%

Top deals

	Acquirer	Target	Value
Inbound	Acquirer	Target	Value
Outbound	Acquirer	Target	Value

Sector	Acquirer	Target	Value
Energy and natural resources	BP plc	Reliance BP Mobility ltd	USD 1,000 mn
Pharma, healthcare and biotech	ZNZ Pharma 2 Ltd	Celon Laboratories Private Limited	USD 75 mn
Manufacturing	GFG Alliance- Liberty House	Adhunik Metaliks Ltd and associate Zion Steel Ltd	USD 60 mn
Manufacturing	Liberty House Group	SBQ Steels Limited	USD 37 mn
Manufacturing	GMM Pfaudler Limited and Mavag AG	Pfaudler Group	USD 27 mn

Expert speak

The UK's Office for Budget Responsibility has warned that the UK economy could shrink by 35% in the second quarter of 2020. The International Monetary Fund forecasted economic contraction of 10.3% for India in 2020, followed by growth of 8.8% in 2021. To any M&A player, chaos represents an opportunity. Bereft of any big-bang transactions, India-UK deals in 2020 were either driven by marquee names, such as Tata Motors, Reliance and BP, or were selective leaps, such as TVS buying Norton in administration.

The COVID-19 pandemic has diverted attention from the UK's ambition to negotiate a trade deal with India. Nevertheless, a deal is still very much a priority for the UK post-Brexit and this, I believe, will lead to higher deal activity in this corridor.

Ashish Chhawchharia
Partner
GT Restructuring Services LLP

Corridors

Deals between India and Europe

Inbound

Year	Volumes	Values USD mn
2016	17	424
2017	16	491
2018	16	3,612
2019	19	1,395
2020	19	2,487

Outbound

Year	Volumes	Values USD mn
2016	18	414
2017	12	444
2018	21	634
2019	20	775
2020	17	174

Top sector attraction by volume - 2020

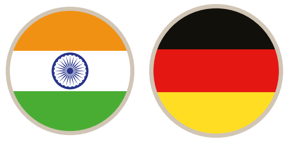
Inbound

Manufacturing	IT and ITeS	Infrastructure management	Retail and consumer	Transport and logistics	Agriculture and forestry	Banking and financial services	Energy and natural resources	Pharma, healthcare and biotech	Start-up
26%	16%	11%	11%	11%	5%	5%	5%	5%	5%

Outbound

Automotive	IT and ITeS	Energy and natural resources	Manufacturing	Media and entertainment	Professional/ business services	Telecom
47%	23%	6%	6%	6%	6%	6%

The data in the tables include all European countries except the UK.



Deals between India and Germany

Inbound

Year	Volumes	Values USD mn
2016	4	39
2017	1	5
2018	5	89
2019	2	177
2020	3	230

Outbound

Year	Volumes	Values USD mn
2016	2	29
2017	1	9
2018	7	158
2019	6	87
2020	3	11

Top deals - India and Europe

Inbound Acquirer Target Value

Outbound Acquirer Target Value

Sector	Acquirer	Target	Value
Infrastructure management	Groupe Aeroports de Paris SA (ADP)	GMR Airports Holding Ltd	USD 1,369 mn
Energy and natural resources	Total S.A.	Adani Green Energy Ltd	USD 510 mn
Transport and logistics	Oldendorff Carriers GmbH & Co.	Tata Power Company Ltd- Trust Energy Resources Pte Ltd sells three ships	USD 213 mn
Retail and consumer	Orkla ASA - MTR Foods Pvt Ltd	Eastern Condiments Pvt Ltd	USD 37 mn
Professional/ Business services	Wipro Ltd	4C	USD 79 mn

Expert speak

Germany has persistently been a strong ally to the Indian economy as the sixth most important trading partner of India in the European Union. With the COVID-19 pandemic impacting economies across the globe, the real GDP in Germany is expected to decline by 5.8% in 2020 and rebound by 4.4% in 2020-21. Germany business confidence index too has been hindered along with ongoing trade conflicts between the USA, China and Europe whereas India's economy contracted by 7.5% y-o-y in the September quarter, pushing the country into a recession. Surprisingly, the Indian manufacturing sector staged a turnaround but there are concerns about whether it is sustainable in the wake of weak demand and investment.

Nevertheless, both India and Germany have the potential to generate substantial bilateral trade from lucrative investment affiliations. Germany is home to more than 213 Indian subsidiaries, of which about 74 Indian companies, each with an annual turnover of more than EUR 10 million, generate combined annual revenues of approximately EUR 11 billion; with an overall increase in the number of Indian companies investing in Germany.

In January 2020, a strategic stake acquired in Germany's electric bike maker, HNF-Nicolai marked a major step for Hero Cycles, India's largest bicycle producer, aiming to be at the centre stage of the European bicycle market. Further, the auto components maker Endurance Technologies Ltd. had fully acquired Italian auto-parts manufacturer Grimeca Srl in May 2020. In July, we witnessed Precision Camshafts Limited (PRECAM), an auto component manufacturer from Solapur, Pune, having completed acquisition of its foreign subsidiaries with acquired stakes in the Dutch electric mobility firm, EMOSS Mobile Systems BV and MFT Motoren und Fahrzeugtechnik GmbH, Germany thereby allowing to expand its manufacturing base in the European Market. The acquisition of EMOSS has firmed the stand of PRECAM into the electric motor vehicles. Above all, Mahindra & Mahindra Ltd., in September 2020, raised its shareholding in Finland-based Sampo Rosenlew Oy to 74.97% to provide Sampo with growth opportunities in newer export markets, also enabling to leverage Mahindra's strength in manufacturing, sourcing and distribution.

Hence, with leading multinationals today setting up their R&D centres in India, there is a need for a broader and deeper cooperation between India and Germany in technology and R&D. We observe that the German economy is slowly recovering and the government's economic stimulus package worth a total of EUR 130 billion is expected to play a significant role in this development. Moreover, the financial aid and measures have contributed greatly to improving consumer confidence since June 2020. Going forward, with the Indian government also rapidly simplifying procedures, instituting market reforms and implementing fair, effective, and transparent processes to attract foreign investments and cooperation; the investment from Germany would place focused, integrated efforts and initiatives for both. Industries, such as industrial automation and robotics, automotive and pharmaceuticals, are likely to provide good opportunities for German companies in India.

Saket Mehra
Partner
Grant Thornton Bharat LLP

Note: The data in the tables include all European countries except the UK.

Top M&A deals - 2020

M&A deals jumped 36% to USD 37.5 billion, though on sharply falling volumes, which fell from 443 to 358 deals compared with 2019. The surge in the values was largely supported by 11 deals valued at over USD 1 billion each largely witnessed in the unlock phase of 2020. These top 11 deals accounted for over 63% of the total M&A deal value. Despite the surge in the deal values, 2020 recorded only 35 deals valued and estimated between USD 100-999 million, compared with 47 such deals in 2019.

Acquirer	Target	Sector	USD bn	Deal type	% stake
Facebook Inc.	Jio Platforms Ltd	Telecom	5,700	Minority stake	10%
Google LLC	Jio Platforms Ltd	Telecom	4,439	Minority stake	8%
Reliance Retail Ventures Ltd	The Future Group- Retail and Wholesale business and the Logistics & Warehousing business	Retail and consumer	3,295	Acquisi-tion	100%
Haldia Petrochemicals Ltd	Lummus Technology LLC	Energy and natural resources	1,544	Con-trolling stake	57%
Adani Ports and Special Economic Zone L imited	Krishnapatnam Port Company Ltd	Transport and logistics	1,434	Majority stake	75%
SBI, HDFC, ICICI Bank, Axis Bank Limited, Kotak Mahindra Bank, The Federal Bank, Bandhan Bank, IDFC First Bank	YES Bank Ltd	Banking and financial services	1,389	Majority stake	N.A.
Groupe Aeroports de Paris SA (ADP)	GMR Airports Holding Ltd	Infrastruc-ture manage-ment	1,369	Strategic stake	49%
Embassy Office Parks REIT	Embassy Group-Embassy TechVillage	Real estate	1,322	Acquisi-tion	100%
Walmart Inc	Flipkart Online Services Pvt Ltd	E-commerce	1,200	Minority stake	N.A.
NTPC Ltd	THDC India Limited	Energy and natural resources	1,014	Majority stake	74%

Facebook said the deal is its largest single investment in another company aside from its acquisitions. It marked the company's "commitment to India" and meant it was now the largest minority shareholder in the Indian telecom group.

The deal will expand Reliance's brick-and-mortar retail empire. The company already runs about 12,000 stores and will add over 1,800 Future Retail stores to its network and bolster e-commerce to take on the competition from Amazon.

This deal marks the single-biggest acquisition by Adani Ports and will help increase its market share from 22% to 27%.

This deal will make Embassy REIT the largest in Asia in terms of office space

Notable M&A deals - 2020

Retail and consumer

Reliance inks USD 3.3 billion deal to buy Future Group's retail, wholesale, logistics and warehousing businesses.

Rationale: Reliance Industries Ltd acquires Kishore Biyani-led Future Group's retail, wholesale, logistics and warehousing businesses for a total of USD 3.3 billion, including debt.

Future Group said in a separate statement that it will first merge five of its publicly listed units into Future Enterprises Ltd. These units are Future Retail Ltd, Future Lifestyle Fashions Ltd, Future Consumer Ltd, Future Supply Chains Solutions Ltd and Future Market Networks Ltd.

Subsequently, Mumbai-listed Future Enterprises will sell the retail and wholesale business to Reliance Retail and Fashion Lifestyle Ltd, a wholly owned subsidiary of Reliance Retail Ventures Ltd. These businesses include key formats such as Big Bazaar, fbb, Foodhall, Easyday, Nilgiris, Central and Brand Factory. It will also sell logistics and warehouse business.

The deal will expand Reliance's brick-and-mortar retail empire. The company already runs about 12,000 stores in over 6,700 cities and will add over 1,800 Future Retail stores to its network.

Amazon filed a suit to put on hold the deal between Future Group and Reliance Industries. Amazon has also written to the SEBI and stock exchanges that while reviewing the proposed transaction, urging them to also take into consideration the Singapore arbitrator's interim judgement. However, in November 2020, the Competition Commission of India (CCI) approved the proposed deal. In August 2019, Amazon acquired a 49% stake in Future Coupons Ltd, an unlisted firm of the Future Group, giving it an indirect stake in Future Retail. The agreement also gave Amazon the right to buy a bigger stake in the Future Group flagship company once India lifts restrictions on foreign investments in brick-and-mortar retailers.

Energy and natural resources

Haldia Petrochemicals acquires US firm Lummus Technology for USD 1.5 billion

Rationale: The Chatterjee Group 's flagship company Haldia Petrochemicals (HPL) and global private equity firm Rhone Capital-acquired Texas based Lummus Technology from McDermott International for an enterprise value of USD 2.7 billion . In this joint acquisition, Haldia Petrochemicals' share is at 57%, the balance would be held by Rhone Capital. Lummus Technology will function as a standalone autonomous entity.

As per HPL's press statement, this deal will accelerate India's progress towards self-reliance in the materials technology space. HPL, with two decades of experience in manufacturing polymer products and downstream chemicals, would partner Lummus in evolving technological improvements for these segments.

HPL's policy initiative to pivot upstream investments in 'oil to chemical' sector is likely to receive a major boost as a result of association with Lummus.

Houston based McDermott will use the proceeds to repay debtor-in-possession financing as well as fund emergence costs besides providing cash to its balance sheet.

Expert speak

One of the highlights of deal activity in 2020 was a near absence of insolvency and bankruptcy driven deals due to the moratorium of new insolvency admissions.

Whilst the unprecedented turbulence and disruption caused by the pandemic in 2020 brought economic activity to a grinding halt globally in Q2, a resilient and focused response from economic policymakers across top economies ensured an equally sharp resurgence in the subsequent quarters.

India, despite being one of the worst-hit countries by the pandemic, recorded a sharp resurgence in deal activity in Q3 driven by the altered sentiment on global supply chain dynamics favouring India and significant consolidation opportunity that emerged with several companies exposed with weaker balance sheets. Total deal values in 2020 surged 31% at USD 77.3 billion over 2019 while volumes saw marginal increase to 1,300 deals compared with 1,258 in the previous year. M&A deals jumped 36% to USD 37.5 billion, though on sharply falling volume of 443 to 358 deals. PE deals surged 27% to USD 40 billion with 16% higher volumes at 942 deals. The acceleration of annual deal activity picked up pace in Q3 despite Q2 being a complete washout for the deal market as most corporates grappled with internal cash flow issues and innovative ways to dealing with business disruptions caused by the economic standstill.

Though back-to-back mega deals clocked by Reliance across telecom/technology and retail contributed over USD 20 billion to deal values, a range of bulge bracket deals in infrastructure and energy kept the momentum high in H2 2020 with the year witnessing nine deals in the billion-dollar club excluding deals by Reliance Industries. A few notable deals in this category being Haldia Petrochemicals' acquisition of Lummus Technology for USD 1.6 billion, Adani's acquisition of Krishnapatnam port for USD 1.4 billion NTPCs acquisition of THDC and North Eastern Electric Power aggregating USD 1.6 billion and Groupe ADPs strategic investment in GMR airports for USD 1.4 billion.

Technology, including enterprise, edtech and big data analytics, and healthcare witnessed accelerated activity driven by favourable dynamics of the disruption caused by the pandemic. Some deal highlights of the year included Clarivates' acquisition of Decision Resources Group owned by Piramal Enterprises for USD 950 million, Byju's' acquisition of WhiteHat Education for USD 300 million, Dr. Reddy Laboratories' acquisition of Wockhardt Ltds' generics business for USD 260 million and Manipal Hospitals' acquisition of Columbia Asia Hospitals for USD 285 million. Volatility in demand, fractured supply chains and availability of labour adversely impacted manufacturing deals with a decline of 73% in deal values at USD 2.2 billion across 29 deals. Nuvoco's USD 775 million acquisition of Emami's cement business and Siemens' USD 296 million acquisition of C&S Electric were the featured deals of the year in manufacturing.

Start-ups and e-commerce collectively recorded 82 deals with USD 2.5 billion in deal value with Zomato's USD 350 million acquisition of Uber Eats and Walmarts' USD 1.2 billion investment into Flipkart being some of the largest transactions in this space. Driven by the successful REIT listing of the Embassy Office Parks and Aurobindo Realty's acquisition of GMR Infrastructure's non-core Kakinada SEZ assets for USD 348 million, real estate witnessed some high value deals though deal activity was otherwise muted through the year with 5 recorded deals.

Investment sentiment remained buoyant for retail and consumer with a range of high profile deals, apart from Reliance Retail's acquisition of Future Group's retail and wholesale business, completed in the year including Hindustan Consumer's USD 412 million acquisition of GSKs Consumer Health business, MTR's acquisition of Eastern Condiments and Aditya Birla Fashion & Retail's sale to Flipkart. One of the underscoring highlights of deal activity in 2020 was a near absence of insolvency and bankruptcy driven deals due to the moratorium of new insolvency admissions for most part of the year.

Consolidation driven by COVID-19 disruption, value buying of businesses weakened by the pandemic and accelerated expansion in favourable themes, such as technology, healthcare and e-commerce, are likely to be the key investment themes of 2021. The resilience shown by the deal market coupled with restoration of normalcy on back of vaccine availability are likely to bring back heightened momentum in private equity and M&A transactions in the coming year.

Sumeet Abrol
Partner
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Regulatory and economic outlook

Tax and regulatory reforms

GST reforms

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Tax and regulatory reforms

Economic reforms and indicators for FY21

During 2020, despite the pandemic, the Government of India formulated Aatmanirbhar Bharat Abhiyan with an intention to make India a strong and self-reliant manufacturing base and globally competitive Indian products. The government proposed a package of INR 20 trillion (i.e., 10% of India GDP) to cater to various sections of the economy with special focus on micro, small and medium enterprises (MSMEs). To augment the flow of foreign direct investment (FDI) and increase the domestic manufacturing capability, the government has introduced production linked investment (PLI) scheme for an additional 12 sectors including electronic manufacturing services, medical device, pharmaceutics, automobiles and automobiles components, telecom and networking products, white goods and speciality steels.

Budget expectations for FY22

Finance minister has hinted that the Union Budget 2021-22 will also focus on infrastructure while pushing further reforms. There is expectation that the government will continue to provide tax incentives to the formal sector so the informal sector can migrate to the formal sector and increase the tax base. Considering the fiscal limitations, no significant incentives are expected for the individual or salaried taxpayers.

Key changes in direct tax

- The Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 was passed on 28 September 2020 relaxing the following compliances under the Income-Tax Act:
  - The scope of exempt income earned by CAT III AIF on account of transfer of certain types of securities subject to fulfilment of certain conditions
  - Withholding tax rates reduced by 25% till 31 March 2021
  - Due dates extended to 31 December 2020 for opting for direct tax amnesty scheme. Further, a notification by the CBDT extends time limit for payment of disputed taxes under VSV up to 31 March 2021
  - Ministry of Finance extended due date for filing of corporate tax returns for FY20 till 15 February 2021 and other tax returns by 15 January 2021
  - Extension of due dates for completion of assessments extended to 31 March 2021
- Apart from the above, in the Equilisation Levy (Amendment) Rules 2020 notified by CBDT on 28 October 2020, the annual form (Form 1) applicable for an e-commerce operator has been introduced.
- New provisions related to tax deducted at source (TDS) for e-commerce operator and tax collected at source (TCS) on sale of goods, which were introduced in the Finance Act 2020, have been made effective from 1 October 2020.

Foreign Exchange Management Act

- On 13 August 2020, the RBI has issued revised guidelines for governing the framework of core invest companies. The prominent changes to be noted in the guidelines are a) Change in the adjusted net worth computation; b) Constitution of group risk management committee by certain CICs; C) Restricting the number of layers of CIC in the group
- Certain powers of authorised dealer banks under the Foreign Exchange Management Act (FEMA) has been expanded under the extant export of goods and service regulations, including allowing set-off of import and export payments within overseas group/associated parties. Further, the RBI has reviewed and clarified that foreign law firms cannot establish presence in India by virtue of Liaison office or branch office without approval of RBI.

Companies Act

Due to the COVID-19 pandemic, the government has extended time limit for conducting annual general meeting for all companies till 31 December 2020. Further, it has extended one-time settlement scheme for companies and LLPs up to 31 December 2020

Expert speak

Deal activity in India had slowed down towards the end of 2019 on account of several factors, including global challenges and concerns around India's macroeconomic indicators. This scenario was further aggravated by the COVID-19 crisis that impacted all the sectors. Investment activity currently appears to be very buoyant, with FDI in sunrise sectors, particularly in Reliance Jio and its group entities, getting strategic and equity investors of over USD 20 billion. This is now being termed as an 'FDI avalanche' making India one of the most sought-after countries for FDI investments in these times. Overall deal levels should also pick up with investors tapping into opportunities emerging from the strong rebound of the Indian economy post-COVID-19 crisis. All economic indicators have been positive for quarter ending December 2020, retaining India as a promising investment destination for 2021.

Sridhar R
Partner
Grant Thornton Bharat LLP

GST reforms

The evolving Goods and Services Tax (GST) regime has started showing some signs of maturity. GST collections increased by approximately 3% from INR 11.77 lakh crore in FY19 to INR 12.22 lakh crore in FY20. Further, increase of 65% in GST collection has been observed in FY20 as compared with FY18. This has been made possible due to the measures taken by the government to ease out compliance burden on small taxpayers with a focus on SMEs.

Various steps, such as composition scheme for service providers, reduced GST rates for housing schemes, reduced GST rates for job work, exemption to small taxpayers from filing of annual return and audit report, etc., have strengthened small taxpayer's confidence in GST by easing compliance burden and thereby leading to better performance when compared with previous year. For large taxpayers, the government implemented many new initiatives, such as fully automated electronic GST refund processing, quoting of document identification number (DIN) on every document, Sabka Vishwas (Legacy Dispute Settlement) Scheme, e-invoicing, QR code, etc., thereby benefitting all classes of taxpayers.

E-invoicing was finally rolled out for registered persons having turnover of INR 500 crore or more from 1 October 2020, making India one of the select group of countries with compulsory e-invoicing as a part of indirect tax regime. With e-invoicing, a standardised invoicing system has been introduced leading to interoperability between multiple softwares and laying the groundwork for the next major reform in GST, i.e., automated periodical GST returns.

These policy measures were need of the hour in view of the increased taxpayer base. Increase in number of registered persons necessitated law makers to rejig the law from time to time to meet public requirements. However, with COVID-19 pushing India towards its first ever nationwide lockdown, decelerated India's real GDP growth to its lowest in over six years. Steep fall in consumption of non-essential products, closure of factories, supply chain disruptions coupled with first-ever modern-era pandemic took a huge toll on government's revenue collection along with an obvious human cost.

The INR 200 million Aatmanirbhar Bharat Abhiyan was announced with an aim to revive the economy by providing fiscal stimuli over and above numerous relief measures announced by various institutions, including the RBI, CBIC, etc. In GST, CBIC gave numerous relaxations to both small and large taxpayers ranging from extension of compliance timelines, relaxation in penalty on delayed tax payments. There was further extension of the due date to file GST annual return and an audit report for FY19 along with reliefs in litigation procedures and extension in opting for composition schemes etc.

While the government has tried helping taxpayers in these challenging times, there is still a long way to go for tax regime to be completely free from lacunas. One such immediate issue being faced by assessees as on date is while the due date to file GST annual return and audit report for FY19 was extended to 31 December 2020, no parallel extension has come yet for FY20. GST authorities have created a paradox where due date to file annual returns and audit reports for two financial years are now falling on the same date leading to confusion amongst the taxpayers. Adding to their misery, GST authorities have started issuing notices and initiating department audits on taxpayers. All this, coupled with economic impact of COVID-19 on the businesses, is adversely impacting the ease of doing business in India.

Expert speak

With the country still grappling with the impact of the nationwide lockdown to curb the spread of COVID-19, the government is expecting its revenues to be lower than what had been budgeted for FY 2021 with increased expenses. However, there are visible signs of relief pointing towards economic recovery with GST collections crossing INR 1 lakh crore for the first time since February 2020 and at INR 1.05 lakh crore in November 2020, almost 10% higher than the same time last year.

The government should now focus on increasing consumer consumption by introducing some indirect tax incentives and interim sops in the form of abatement/ rate cuts and easing compliance framework. Further, rationalisation of tax structure for some key sectors, such as healthcare industry needs to be at the top of the agenda with 2020 proving that Indian healthcare system needs massive upliftment and better preparedness for future contingencies.

Krishan Arora
Partner
Grant Thornton Bharat LLP

Insolvency and Bankruptcy Code

2020 was unprecedented as humans have not seen a pandemic of this scale in at least 100 years. The external shock to the economy caused by the COVID-19 pandemic its resulting disruption to normal business operations initially brought even the superpowers to their knees. India is but a developing economy and catering to a massive 1.3 billion population. Steps taken by the government, such as lockdown and relief measures announced, are also in unchartered territory and there is little consensus on the impact of such measures. One of the measures was amending the Insolvency and Bankruptcy Code (IBC) to effectively suspend any filings by creditors or sponsors for COVID-related defaults for a period of six months, later extended till Christmas. The defaults occurring post 25 March are being ring-fenced and not considered as defaults at all for purposes of IBC.

The RBI had also taken cognisance of this situation and provided a moratorium on debt servicing for a period of six months, which ended on 31 August 2020, benefitting several businesses that faced short-term liquidity challenges due to the impact of COVID and lockdown. In August 2020, the RBI also provided a special window allowing one-time loan restructuring aimed at granting relief to ailing businesses as well as helping banks to manage the provisions in its books.

While the over-burdened judiciary may focus on ongoing cases and pre-March 25 default cases, the special needs for stressed companies cannot be overlooked. The short-term cash flow needs could be met by the liquidity enhancement measures introduced by the RBI but in long term, these businesses will require some intervention to remain solvent and tide over this crisis. In terms of deal activity, 2020 is nearing towards resolution of one of the largest insolvency case in aviation industry (Jet Airways) that now awaits court approval. H2 2020 has also witnessed some of the largest deals in telecom (Reliance Jio stake sale) and retail (Reliance Retail's acquisition of Future Retail) sectors.

The past year has been a year of pondering, analysing and experimenting for policymakers globally. India's nascent bankruptcy code is slowly growing more teeth and standing on its feet. An important evolution that would help in increasing effectiveness of deals under IBC is the amendment that mandates voting on all resolution plans by the creditors. This would ensure higher participation in such processes by smart money. On the flip side, the roadblock to ARCs being able to invest in equity of companies under IBC is an issue that still needs to be resolved. While in 2020 foreign capital finds home in various attractive opportunities globally triggered by the pandemic, it may still find Indian processes quite cumbersome and time taking. Also, some of the deals concluded under IBC this year are likely to face implementation delays as the successful bidders may be facing their own challenges due to COVID.

The outlook for 2021, as agreed by most analysts is far better than what was feared in the early days of the COVID pandemic. Businesses are learning to be more resilient and evolve with more efficient operating processes. From an M&A and capital markets perspective, we would witness a substantial number of deals for promoter financing, bridge funding, mezzanine financing or equity stake sale deals, opening a unique window of opportunity for private equity, special situation funds and ARCs. Foreign capital will seek to build portfolio of quality assets available at value prices caused due to short terms stress and on the other hand, quality business may need short term capital to tide over the crisis. Certain sectors including aviation, hospitality and retail will take much longer to revive but at the same time alternate business channels are seeing exponential growth due to changing consumer behaviour.

Expert speak

This short window during suspended IBC filings offers a unique opportunity to plan and implement pre-packs, a successful and effective tool yet to set foot in Indian bankruptcy resolutions. Pre-packs differ from CIRP or proposed loan-sale guidelines of RBI in one important aspect – they usually do not need a public process (hence the name pre-pack), which, despite bringing some opacity, often may prove to be the quickest route to a resolution of the sick entity.

Look forward to seeing where we are next year as this story continues to unfold.

Ashish Chhawchharia
Partner
GT Restructuring Services LLP

Ind AS

Financial year 2019-20 ended with the adoption and implementation of Ind AS 116 on lease accounting, which fundamentally shifted the manner in which long-term operating leases are accounted for the lessees. Many companies that are on lease model for their operating assets, such as office spaces, machineries, have witnessed a substantial change in their balance sheet and income statement positions.

The new lease standard preponed the recognition of contractual payments of long-term leases on the balance sheet as financial liabilities and also pushed the rental costs below EBITDA to finance cost and depreciation/amortisation of corresponding right to use assets. This accounting quite appropriately brings to the balance sheet contractual obligations companies had, which was earlier confined to only disclosures and therefore, enables the users of the financial statements to clearly determine liabilities that a company has signed up and committed itself contractually.

While, this standard has been welcomed across industries, companies that are in aviation and shipping businesses were impacted more owing to rentals being in foreign currencies, thereby resulting in volatility in the profit and loss account due to change in exchange rates vis-à-vis Indian rupee. Earlier, since there was no liability on the balance sheet and rentals were recorded on recognise when due model, effect of exchange rates was limited to only rentals accrued for immediate payments, whereas, with Ind AS 116, present value of all the contractual payments through the life of the lease contract is recognised in the balance sheet and therefore, needs to be restated in each reporting date/period for changes in the exchange rates.31 March 2020 also ended with the onset of financial reporting impact due to COVID-19, with the financial year 2020-2021 gearing up to witness how the accounting framework shall be able to assist the preparers, users and regulators in determining how the financial statements of companies were truly affected and reported.

We witnessed detailed notes to the financial statements/results for the year ended 31 March 2020 by almost all companies explaining the uncertainty resulting from disruptions caused by COVID-19. This disclosure was most appropriate, as it was important to explain the users of the financial results/ statements how COVID-19 can impact the recorded values of assets and liabilities as of 31 March 2020, standards quite clearly outline the necessity to refrain from recording unreasonable estimates for any potential losses in value that for instance assets may have suffered. The real impact of disruptions will be witnessed in the financial years ending 31 December 2020 and 31 March 2021, where both the users and regulators will be expecting companies to make reasonable estimates resulting for those disruptions.

In our view, the following should be critically examined:

- Impairment of financial and non-financial assets
- Computation of fair values that are not level 1 and therefore require reasonable degree of management estimations
- Revenue recognition for potential price adjustments and returns
- Off balance sheet items, such as commitments, contingent liabilities, guarantees
- Accounting for restructuring of loans
- Classification of assets and liabilities (current vs non-current)

Expert speak

Preparers of Ind AS financial statements will have to exercise diligence in ensuring that expectations of users and regulators are met vis-à-vis impact of COVID-19 disruptions of the financial results.

Only after the financial crisis of 2008, the economies are seeing a crisis of bigger magnitude unfold, and hopefully, a lot has been learnt from the criticism IFRS faced during the 2008 crisis and those learnings will be used by all, i.e., preparers, users, auditors, and regulators to eventually achieve the common objective of true and fair financial position and results of the operations.

Ashish Gupta
Chartered Accountant
Gurgaon

Companies Act

The Companies Act 2013 (Act) was introduced in 2014 and has undergone quite a few changes since it was first enacted, through rules, orders, circulars and amendments.

The recent changes made to the Companies Act have been directed towards the twin objectives of promotion of ease of doing business and better corporate compliance. Following the Companies (Amendment) Act, 2019 introduced in the previous year which brought in rationalisation of fines and penalties, shifting of corporate offences from special courts to in-house adjudication, relaxing certain compliance requirements, the Companies (Amendment) Act, 2020 (the Amendment Act) was notified in September 2020. The Amendment Act further rationalised penalties (45 out of the 66 amendments pertain to rationalisation of penalties), allowed payment of remuneration to non-executive directors in case of inadequacy of profits, reduced timelines to speed up rights issue under Section 62 of the Act, provided exemption from filing of certain resolutions by non-banking financial companies, exempted setting up of corporate social responsibility (CSR) committee, allowed setting off excess amount spent towards CSR in succeeding financial years and direct listing of securities by Indian companies in permissible foreign jurisdictions as per the prescribed rules. The Amendment Act has also re-introduced provisions related to producer companies as they existed in the erstwhile 1956 Act. A new Section 129A has also been introduced, rules for which are yet to be notified, which would mandate specified classes of unlisted companies to prepare and file periodical financial statements, which currently is required only by listed companies under the applicable SEBI regulations.

Further, the Ministry of Corporate Affairs (MCA) introduced the Companies Fresh Start Scheme in March 2020 through which filing of delayed annual returns and financial statements, various other statements, documents and returns with the registrar could be done without payment of additional fees and immunity from prosecution or proceedings for imposing penalty on account of delay associated with certain filings was granted.

Another highlight during the year was the issuance of the Companies (Auditor's) Report Order, 2020 (CARO) which required the auditor to comment on specified items. This is applicable for audit reports to be issued on the financial statements for the period beginning on or after 1 April 2021. The new CARO report has extended the number of clauses for factual reporting from 16 to 21 along with expanding the reporting requirements of the existing clauses. Some of the new key additions to the auditor's report include the requirements to comment on matters relating to going concern, unutilised funds towards CSR, evergreening of loans, objections and concerns raised by the outgoing auditor. The order also re-introduced some of the requirements from the 2015 order that were removed in 2016, pertaining to internal audit function, cash losses and utilisation of funds.

Lastly, the impact of the COVID-19 pandemic and subsequent lockdown led to temporary to severe long-term impact in the operations of most business entities. Recognising the practical difficulties that arose as a result of the above pandemic and related restrictions, the MCA announced multiple relaxations from compliance requirements under the Companies Act, 2013 throughout the year that included extension of timelines for filing of returns/documents, holding of board meetings and general meetings including videoconferencing at relaxed time-intervals, exemption from late payment of fees, extension of timelines for creation of deposit repayment reserve and mandatory investments for maturing debentures, etc.

Expert speak

Overall, the government and regulatory authorities have continued the chosen path of ensuring ease of business by reducing compliance requirements where possible, automating submission and processing of documents/returns, removing difficulties faced by businesses, especially during the pandemic and promoting self-regulation for compliance with the Act and regulations as well as increased governance norms. The agility with which the government announced the compliance relaxations during the pandemic further reinforced government's will and consideration to ensure ease of doing business in India.

Madhuri Ravi
Chartered Accountant
Gurgaon

Amendments/regulations impacting AIFs

Alternative Investment Funds (AIFs) industry has grown manifold over the last few years. Nurtured by SEBI in 2012, AIFs have now become a key pillar to provide long-term, high-risk capital to multiple ventures, ranging from pre-revenue stage companies to early and late-stage companies to growth companies that wish to scale their operations. In addition, AIFs also help incubate innovative ideas and invest in a broad array of sectors, ranging from fintech, e-commerce, healthcare, technology, education, real estate and infrastructure. Further, Category III AIFs tend to provide a better risk-adjusted return to investors, by deploying diverse and complex strategies, such as arbitrage, margin trading, algorithmic trading, futures and derivatives trading, etc. to generate alpha returns for their investors.

The total number of AIFs have more than doubled over the last three years (i.e., from nearly 280 AIFs in December 2016 to over 711 AIFs in December 2020). Further, the total capital commitments received by AIFs from its investors has increased from INR 65,000 crore as on September 2016 to INR 4.05 lakh crore as of September 2020. More than 75% of the capital commitments has been received by Category II AIFs.

Considering the capital raised by AIFs over the last few years, the government has sought to address some of the following tax and regulatory issues faced by the AIFs:

- SEBI has issued template for Private Placement Memorandum (PPM) for standardising the same and introduced minimum benchmark for disclosure of performance of AIFs. Further, it has mandated annual audit to ensure compliance with terms of PPM.
- The recent higher rate of surcharge on capital gains income earned by Category III AIFs (not set-up as Company/LLP) on transfer of listed equity shares, units of an equity oriented mutual fund and units of business trust has been rolled back.
- SEBI had recently released the operating guidelines for AIFs set-up in International Financial Services Centre (IFSC), in order to attract foreign investments in IFSC.
- Income-tax exemption to Category III AIFs set-up in IFSC and investing in securities listed in IFSC.
- Income-tax exemption to unit holders of Category III AIF in IFSC of which all units are held by non-residents other than sponsor/manager.
- Relaxation on filing income-tax return available to non-residents investing in Category I or II AIFs set-up in IFSC.
- Pass-through losses incurred by Category I and II AIFs. To further incorporate this amendment in the filings to be made by AIFs, new format of Form 64C and 64D has been introduced and the due date for filing Form 64D has been brought down to 15 June instead of 30 November from FY21 onwards.
- In addition to exemption from filing tax return granted to non-resident investors of Category I and Category II AIF, an exemption is now granted from obtaining PAN on satisfaction of certain conditions
- Income of non-resident investors in a Category I/II AIF not taxable in India to the extent of outbound investments made by the said AIF.
- SEBI has issued clarification on applicability of stamp duty on issuance and transfer of AIF units and appointment of RTA by 15 July 2020 to enable collection of applicable stamp duty.

Expert speak

Like most of the industry, 2020 has been the year when the investment managers have pre-dominantly focused on slow growth and capital preservation of their investments. The assets under management of the AIFs in India are expected to increase and should show robust returns as the global and the Indian economy is expected to rebound strongly in FY22. The alternative investment space is expected to continue to have higher investors preference on an expectation of better risk-adjusted return and with an enhanced disclosure standard mandated by the SEBI with their recent changes in the AIF regulations. Further, it is expected that new set of AIFs may come up in IFSC, pursuant to the recent tax and regulatory changes.

Amit Kedia
Chartered Accountant
Mumbai

The Three Farmer Acts

Prior to the introduction of major agricultural reforms in 1960s, farmers faced numerous challenges in trading their produce. It led to introduction of state-specific laws under the Agricultural Produce Marketing Committee (APMC) Acts. Agricultural trade was regulated that gave the farmers access to organised markets and setup Minimum Support Price (MSP) for their produce. The APMC Act mandated that purchase of certain agricultural commodities can only be through government-regulated markets (mandis) with the payment of designated commissions and marketing fees. Traders and intermediaries/ middlemen (commission agents) typically require a licence to operate in these mandis issued by the APMC.

The Standing Committee on Agriculture (2018-19) observed certain issues with APMCs that needed urgent intervention: (i) Limited licenced traders that resulted in oligopolistic and cartelised operations (ii) CESS/Levy by such traders also imposes burden on value chain stakeholders.

Further, the CSO and NSSO data shared in Niti Aayog's 2017 report, outlines the disparity of income in farm and non-farm sector, which is only around 1/3rd of the income of a non-agriculture worker in the past 30 years. As per the report, in last 22 years (1993-2015) nominal income of farmers increased by 9.18 times however, taking away the effect of inflation, real farm income has just doubled. This reflects the urgent need for reforms which will help increase farmer's income and bring it on par with other sectors. To address the current challenges and bring in holistic growth in the agriculture sector, three Acts were enacted by the government.

What are the three Acts?

S. No	Name of the Act	About the Act	Key features
1	The Famers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020	Allows farmers to sell their produce wherever they want (inside or outside of APMC) and whoever they want to and fetch better prices via increased buyer base and increased competition	• Allows free trade of farmers' produce, intra-state or inter-state; • Permits the electronic trading of scheduled farmers' produce (agricultural produce regulated under any state APMC Act) in the specified trade area; • Abolishes market fee on farmers, traders and electronic trading platforms for trade of farmers' produce conducted in an outside trade area.
2	The Farmers' (Empowerment and Protection Agreement on Price Assurance and Farm Services Act, 2020	Allows farmers to establish contracts with corporate investors and help them set mutually agreed remuneration	• Provides a farming arrangement between a farmer and a buyer, prior to the production or rearing of any farm produce; • Allows mentioning price of farming produce in the agreement; • Allows district magistrate to lead the tribunal related to arbitration.
3	The Essential Commodities (Amendment) Act, 2020	Allows the central government to regulate the supply of certain food items only under extraordinary circumstances (such as war and famine). Stock limits may be imposed on agricultural produce only if there is a steep price rise	• Empowers the centre to designate certain commodities, such as food items, fertilisers, and petroleum products as essential commodities; • Provides the centre authority to regulate the supply of certain food items, including cereals, pulses, potatoes, onions, edible oilseeds and oils, only under extraordinary circumstances. These include: (i) war, (ii) famine, (iii) extraordinary price rise and (iv) natural calamity of grave nature; • Impose any stock limit on agricultural produce based on price rise. A stock limit may be imposed only if there is: (i) a 100% increase in retail price of horticultural produce; and (ii) a 50% increase in the retail price of non-perishable agricultural food items.

Expert speak

There is a certain section of traders and stakeholders that believe these Acts will eliminate APMCs unless they rationalise their market fees in the long run, which is the presently the main or only facilitator for most of their transactions. Moreover, it may also lead to abolishment of minimum support price (MSP) of their produce, consequently exploitation due to corporatisation of agriculture ecosystem.
Globally, most of the agriculture is run and dominated by corporates that leads to price discovery and whenever the prices are low, government supports the farmers through MSP or subsidies. The Acts are steps in the right direction but the government may need to ensure that stakeholders/some genuine farmers' concerns are addressed through mutual consultation.

Kunal Sood
Partner
Grant Thornton Bharat LLP

RERA

The COVID-19 pandemic has taken the world by a storm. In the first half of 2020, the deal activity was almost nil and saw a significant decline in the office absorption space that otherwise was the best performing asset class within the real estate sector in the pre-COVID times.

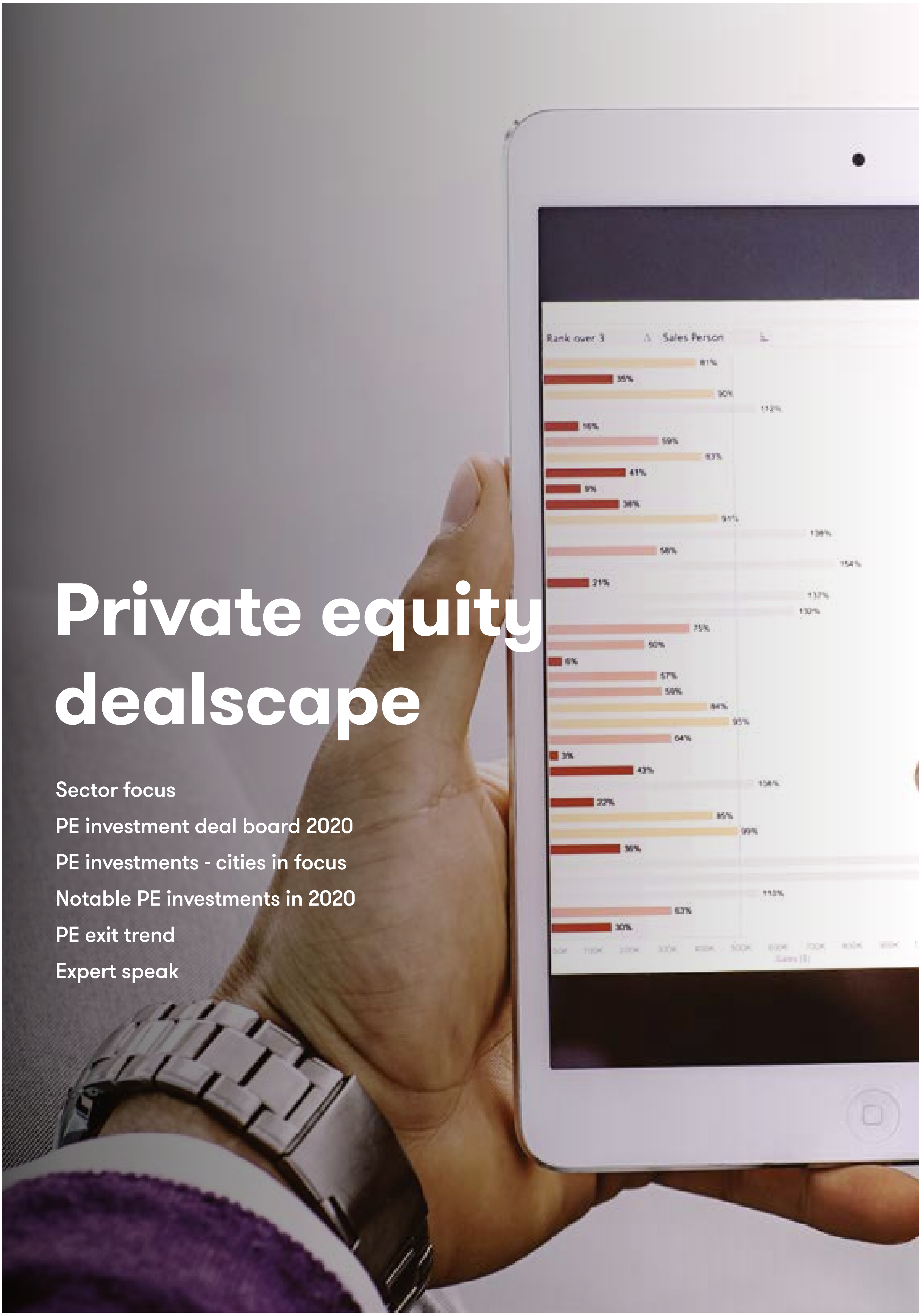
We also witnessed a successful REIT listing of Mindspace that provided the much-required hope that all is not lost and investors will continue to prefer commercial real estate as an asset class. The last few months of 2020 have seen renewed interest by investors in the sector with the announcement of acquisition of Prestige commercial retail and office portfolio by Blackstone.

The RBI had announced multiple measures including moratorium and restructuring schemes to provide much-required cushion to the sector to weather this storm. Federal and the state governments have been supportive by extending RERA deadlines and reducing stamp duty.

Expert speak

We expect 2021 will bring the momentum back to the real estate sector as India becomes one of the preferred FDI destinations. Emerging asset classes, including localisation of datacenter, warehousing (due to e-commerce growth) and co-living will lead the deal momentum.

Alok Saraf
Associate Partner
Grant Thornton Advisory Private Limited



Private equity dealscape

Sector focus

PE investment deal board 2020

PE investments - cities in focus

Notable PE investments in 2020

PE exit trend

Expert speak

Sector focus

India has attracted billions of dollars in an array of sectors. While there were large-size investments in the core sectors such as telecom, banking, real estate, manufacturing, energy; consumer and consumer tech sectors including retail, e-commerce, consumer-focused start-ups attracted maximum deals in 2020.

The success story of the Blackstone-backed first real estate investment trust (REIT) in India, Embassy Office Parks REIT, paved the way for investors to access a new source of capital in the country thereby injecting more funds in the country's real estate sector. The tech savvy sectors such as start-ups, e-commerce and IT & ITeS constituted 78% of the overall PE investment volumes in 2020. The funds raised by these companies will broadly be utilised to enhance its product offering by bringing in innovative technological aspects such as machine learning, AI, integrating IOT etc. and to expand into newer markets.

Investments in the banking and NBFC segments were driven by the need to tackle the impact of the COVID-19 pandemic and increase the bank's capital adequacy ratio, working capital and for asset creation. The year witnessed telecom company Jio Platforms raising USD 9.8 billion from 11 global investors forming 25% of the total PE deal values in 2020. KKR's USD 1.5 billion investment in Jio Platforms marks the firm's largest investment in Asia.

Sector	Volume 2018	Volume 2019	Volume 2020	Values USD mn 2018	Values USD mn 2019	Values USD mn 2020
Start-up	484	501	606	4,677	5,273	4,612
E-commerce	43	54	84	2,041	3,469	3,058
IT and ITeS	32	48	43	584	1,723	1,402
Energy and natural resources	17	11	15	1,858	3,939	1,540
Education	23	17	23	568	620	1,179
Banking and financial services	46	41	29	1,936	3,361	1,711
Pharma, healthcare and biotech	24	31	31	1,254	1,438	2,354
Retail and consumer	38	25	33	674	332	6,530
Telecom		2	13		4,359	9,844
Manufacturing	11	7	10	593	538	2,541
Media and entertainment	17	18	10	270	835	407
Hospitality and leisure	11	10	9	717	709	48
Transport and logistics	5	4	8	185	131	414
Infrastructure management	5	7	4	1,092	1,537	441
Automotive	5	7	4	215	290	548
Agriculture and forestry	4	6	6	1,211	48	45
Real estate	23	20	7	2,763	2,401	3,507
Professional/ business services	6	6	7	33	375	22
Aerospace and defence sector	1		1	3		3

Top sectors based on deal volumes

Volume	2018	2019	2020
Values USD mn	2018	2019	2020

PE investment deal board 2020

Top 10 deals in 2020 accounted for 1% investment volumes with 33% investment values. The year recorded 10 deals in the billion-dollar category and 66 deals valued between USD 100 million and USD 999 million together accounting for 83% of total PE deal values with only 8% of deal volumes.

Investor	Investee	Sector	% stake	Investment values USD mn
Brookfield Asset Management Inc	RMZ Corp- 12.5 million square feet of its real estate assets and CoWrks	Real estate	18.00%	2,000
Vista Equity Partners	Jio Platforms Ltd.	Telecom	2.30%	1,496
KKR	Jio Platforms Ltd.	Telecom	2.30%	1,496
Public Investment Fund (PIF)	Jio Platforms Ltd.	Telecom	2.30%	1,496
Public Investment Fund	Reliance Retail Ventures Ltd.	Retail and consumer	2.00%	1,291
The Blackstone Group Inc.	Prestige Group – Carved out Commercial, Retail and Hotel assets	Real estate	N.A.	1,238
Mubadala	Jio Platforms Ltd.	Telecom	1.90%	1,197
Templar Investments Ltd.	Jindal Steel and Power Limited- Jindal Shadeed Iron and Steel Co LLC	Manufac-turing	100%	1,000
Silver Lake	Reliance Retail Ventures Ltd.	Retail and consumer	1.80%	1,000
Blackstone Group Inc	Piramal Glass Private Limited	Manufac-turing	N.A.	1,000

The deal marks the largest-ever deal in the Indian real estate industry in India

KKR & Co. announced it is USD1.5 billion investment in Reliance Industries' Jio Platforms, which is the investment management firm's largest investment in Asia.

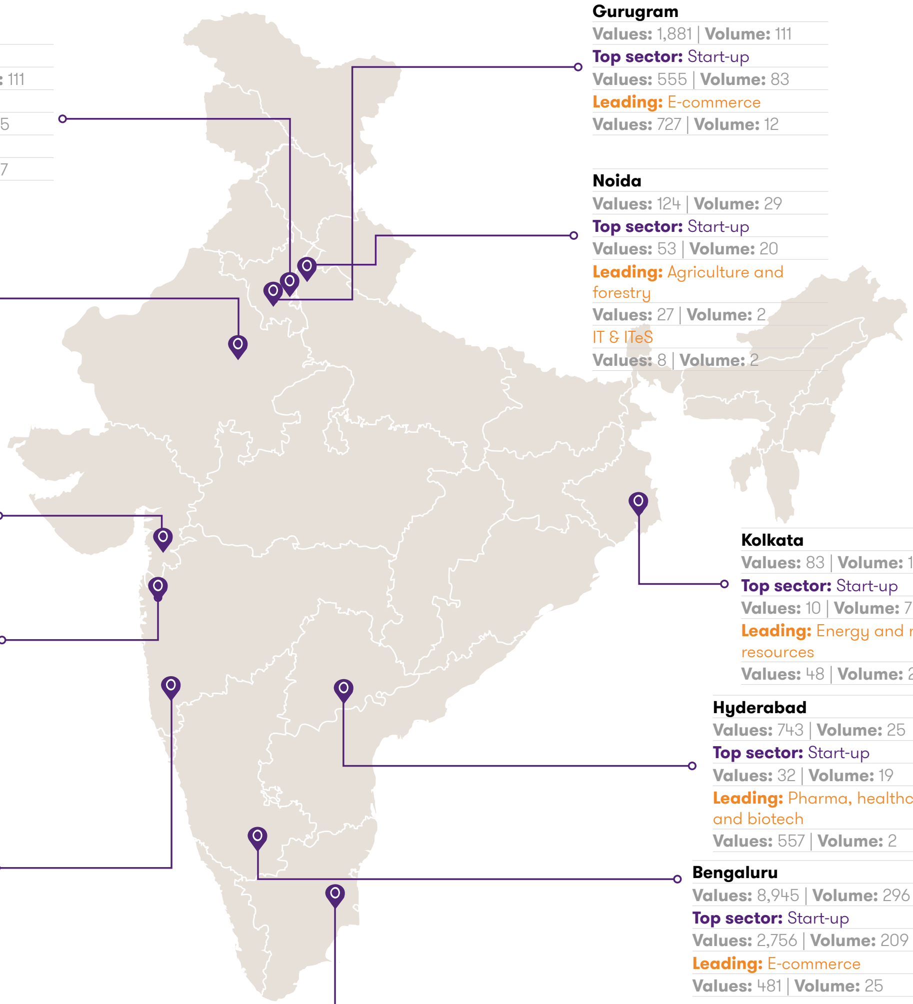
India's third-biggest real estate deal in India since 2011.

This will be Piramal Group's second billion-dollar deal this year to capitalise the conglomerate which has a large NBFC unit

PE investments - cities in focus

Bengaluru, Mumbai, Delhi and Gurugram remained top cities both in terms of attracting investment deals and values, together equaling 77% of the total PE deal volumes and inflows of USD 37.1 billion, a 93% of overall PE share. These cities remain highly conducive for PE investments on the back of good infrastructure, business-friendly policies and home to mushrooming start-ups in the country. Tier 2 cities, including Noida, Ahmedabad, Kolkata and Jaipur have also witnessed active PE investment from investors during the year as these cities offer a variety of opportunities to business houses and establishments.

Start-ups dominated in all the top cities in terms of funding volumes demonstrating an equal opportunity for innovative business. Apart from start-ups, e-commerce, pharma, agriculture, IT and energy sectors also witnessed PE activity in these top cities. Kochi, Indore, Goa, Bihar, Bhubaneshwar and Chandigarh also remained active in terms of recording PE investments.



Values in USD mn

Notable PE investments in 2020

Telecom

Jio Platforms raises USD 20 billion from leading global investors

Rationale: After raising USD 5.7 billion for 9.99% stake from Facebook Inc., and USD 4.4 billion for 7.73% stake from Google LLC, Reliance Jio Platforms has raised an additional USD 9.5 billion from a roster of nine high-profile investors in two months.

Silver Lake Partners bought ~1% stake in Jio Platforms for USD 744 million in a deal that took Jio's enterprise value to USD 68 billion – a 12.5 premium to the value indicated by Facebook. This was followed by Vista Equity Partners, which picked up a 2.32% stake for USD 1.5 billion, making it the third high-profile investment in the RIL unit. Further, General Atlantic bought a 1.34% stake for USD 868 million. KKR bought a 2.32% stake for USD 1.5 billion. Mubadala bought 1.85% for USD 1.2 billion followed by Silver Lake's additional investment of USD 744 million for 1.15% stake.

Abu Dhabi Investment Authority invested USD 748 million for 1.16% stake. The TPG and L Catterton 's USD 598 million and USD 249 million for 0.93% and 0.39% stake respectively, comes less than a week after the two sovereign wealth fund (ADAI and Mubadala) deals. Saudi Arabia's Public Investment Fund's (PIF) USD 1.5 billion investment for 2.32% stake marked the latest addition to Jio Platform's investors list. Ambani said that the capital has helped him repay Reliance Industries' net debt of USD 21 billion well ahead of schedule. The oil-to-retail giant, which was debt-free in 2012, is now net debt-free.

Retail and consumer

Reliance Retail Ventures raises USD 6.4 billion from leading global investors

Rationale: Reliance Retail Ventures (RRVL) raised a total of USD 6.4 billion in a span of three months from returning investors that invested in Reliance's digital unit, Jio Platforms Ltd., earlier this year. The investment spree began with Silver Lake's USD 1 billion for 1.75% stake followed by KKR's 1.28% stake in the company for USD 740 million. The retail arm of Reliance Industries Limited raised USD 844 million from Mubadala for 1.4% stake, GIC and Abu Dhabi Investment Authority each invested USD 745 million for 1.2% stake followed by USD 248 million invested by TPG for 0.4% stake.

Silver Lake Partners has invested an additional USD 253 million for a 0.38% stake. This brings the total investment by it and its co-investors to USD 1.3 billion. This will translate into a 2.13% stake in the company on a fully diluted basis. Reliance Retail raised USD 497 million from General Atlantic for 0.84% stake. Further, the PIF has invested USD 1.3 billion for an equity stake of 2.04% in Reliance Retail Ventures Ltd. This investment will further strengthen PIF's presence in India's dynamic economy and promising retail segment.

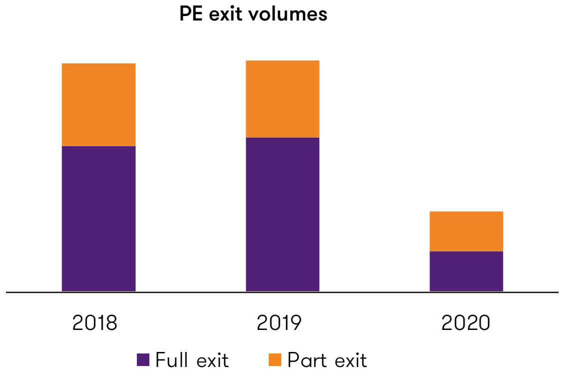
The investment values RRVL at a pre-money equity value of USD 62.4 billion. The investment in RRVL by PIF is the eighth investor in RIL's retail arm within two months. Silver Lake, KKR, General Atlantic, Mubadala, GIC, TPG and ADIA have been the other investors so far. Thus, within two months, the retail firm has sold a 10.52% stake raising a total fund of nearly USD 6.4 billion. The investment will add fire to Mukesh Ambani's battle for dominance in the retail market that is also being eyed by Jeff Bezos' Amazon.com and Walmart Inc.'s Flipkart.

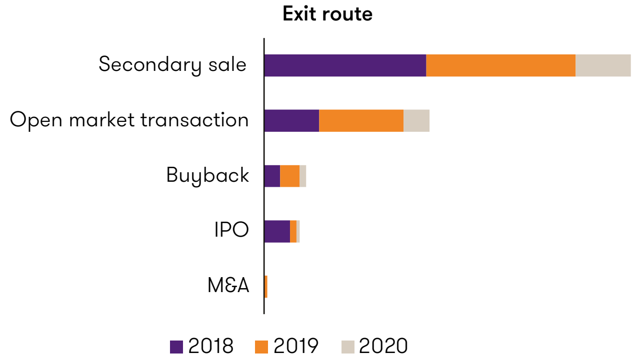
PE exit trend

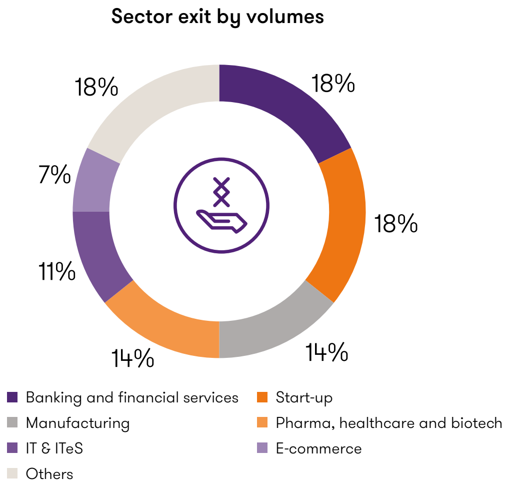
2020 has been the worst year for PE exits as the year witnessed the lowest exit volumes since 2013. Exit values also recorded their lowest. Normally, PE/VCs hold on to their investments during an economic crisis or downturn due to decrease in valuations, which was witnessed in Q2 when the impact of the COVID-19 pandemic was at its peak. However, by the advent of the third quarter, economic activity showed recovery and certain sectors and segments remained unaffected. Sentiments were buoyed by reports of various governments claiming to bring vaccines by the end of this year.

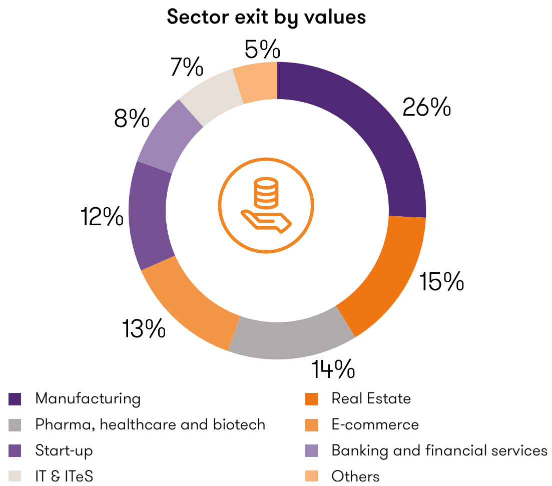
Sectors such as banking, pharma and healthcare, IT and start-up witnessed substantial traction in the second half of 2020 due to a rise in the digital economy that led to increased deal activity, which also resulted in some exit deals.

Exit volumes









Notable PE exits

Investor exited	Investee company	Part/full exit	Sector
Blackstone Group Lp	Embassy Office Parks REIT	Part exit	Real estate
Blackstone Group Lp	Essel Propack Ltd.	Part exit	Manufacturing
Warburg Pincus	Ecom Express Pvt. Ltd.	Part exit	E-commerce
SAIF Partners, Accel, Norwest Venture Partners, RB Investments, Harmony Capital and Bessemer Venture Partners	Bundl Technologies Pvt. Ltd.- Swiggy.com	Part exit	Start-up
Advent International and Temasek	Crompton Greaves Ltd.- Consumer Products division	Part exit	Manufacturing
Capital International	Intas Pharmaceuticals Ltd.	Full exit	Pharma, healthcare and biotech
Baring Private Equity	Coforge Ltd.	Part exit	IT & ITeS
Baring Private Equity	Manappuram Finance Ltd.	Part exit	Banking and financial services

Expert speak

We are witnessing a lot of deal negotiations, due diligence and this augurs very well for PE deals as we move into 2021.

We witnessed PE deals of USD 40 billion in 2020, which was higher in terms of deal values compared with both 2019 (USD 32 billion) and 2018 (USD 21 billion).

The highlight for the year was Reliance Jio deal, which saw investor participation from all the top global PE Funds and global technology majors such as Facebook and Google. This is a landmark deal and augurs well for the Indian digital economy and Digital India initiative given the marquee investors backing Jio and is one of the top global deals in recent times. Given Jio's significant consumer base now, the digital platform would provide an opportunity to build in digital commerce, digital entertainment, digital payments and perhaps enable an integrated digital commerce platform for Indian consumers to transact on.

While PE deal activity was impacted immediately post the pandemic, deal activity continued to be strong in sectors including technology and buy-outs. While there was a slowdown in venture capital fund activity in first half of the year, we witnessed recovery in the second half and robust deal flows as well as investments by funds such as Sequoia, Chiratae.

In the last three months of 2020, deal activity has picked up quite a lot, especially in sectors such as technology, healthcare, ed-tech and fin-tech. We are witnessing a lot of deal negotiations, due diligence and this augurs very well for PE deals as we move into 2021.

PE deal trends in 2020 and outlook for 2021

- The pandemic clearly impacted the deal activity from March 2020. The focus of PE Funds immediately post the pandemic was to get portfolio companies preserve value and ensure sufficient financing to navigate during this period.
- In my view, we will witness a lot of consolidation within the PE portfolio companies as some companies will struggle to navigate the crisis and make commercial sense for stronger companies to buy. We could also expect VC Funds playing a role to consolidate and merge portfolio companies in the same sector and line of business to leverage synergies.
- PE funds are expected to focus on sectors including healthcare, medical devices, ed-tech, agri-tech, e-commerce, fintech and technology companies. Deal activity is expected to increase in 2021.
- While valuations have taken a hit in most sectors, the technology sector continues to be strong and emerging sectors such as ed-tech, health-tech, fin-tech continue to be increasing as businesses go digital.

PE funds have raised the bar on new investments and the intensity and robustness of due diligence has increased in the following areas:

1 Business due diligence around the existing business model, risks and opportunities
2 Quality of earnings and impact of COVID-19 on the financials and earnings
3 EBITDAC assessment is a must on all deals, which is earnings before interest tax depreciation and COVID items
4 Cyber and technology due diligence
5 Management due diligence covering aspects of leadership, resilience and integrity

- Buyouts continue to be robust with deals such as Carlyle's investment into Sequent Scientific, KKR-JB Chemicals and Blackstone's acquisition of Piramal Glass. In my view, we would expect to see the increasing trends of buyouts as management control and turnaround will become key in the coming years.

- The other area expected to increase is stressed asset transactions as India will battle financial stress of many corporates across sectors especially in industrials, manufacturing, real estate and infrastructure. Global and Indian stressed asset funds are clearly viewing this as an investing opportunity and we should expect deals momentum to pick up in the stressed asset space in 2021.
- PE exits did take a hit during 2020 as expected, but we are witnessing slow but sure recovery around initial public offerings, domestic M&A's and secondary deals.
- Another aspect that will trigger PE exits would be the opportunity for Indian corporates around overseas listings. The Indian government announced in May 2020 the ability of Indian private companies to raise capital overseas without being listed in India first. While the regulations are yet to be implemented, in my view, this would be key to watch-out for Indian corporates in 2021. Overseas listings can open a massive opportunity for Indian corporates and start-up unicorns to tap into the overseas capital markets and enabling exits of existing investors.
- Fundraising activity for PE and VC funds took a pause this year. Although, the dry powder for new investments remains strong. We expect PE fundraising activity to get better in 2021. We ended 2020 with National Investment and Infrastructure Fund Ltd (NIIF) completing fund raising of USD 2.3 billion, which is a very positive news for the Indian funds.

In summary, the technology sector dominated PE deals in 2020 and this trend is expected to continue as digital, automation, technology, AI and data analytics becomes embedded in every business. Further, sectors such as renewable energy, infrastructure, financial services and e-commerce will continue to generate PE interest in 2021.

India has already become one of the top destinations for PE Funds globally and will emerge stronger as an investment destination in 2021 and as we move into the next decade.

Raja Lahiri
Partner
Grant Thornton Bharat LLP

Start-up India

Deal trend

Start-up funding (2018-2020)

Geographic representation by top cities

Sector classification

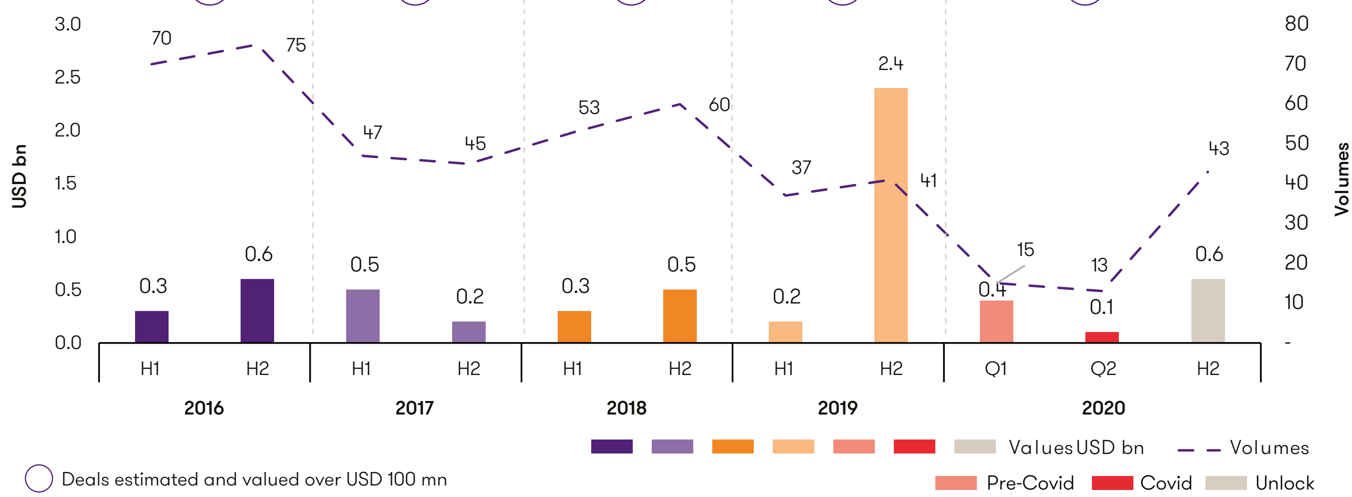
Expert speak

Deal trend

M&A trend

The overall M&A activity saw a 9% decline in the deal volumes with about a 58% fall in deal values at USD 1.1 billion compared with USD 2.6 billion in 2019. The fall in the deal values is attributed to RA Hospitality Holdings-OYO rooms transaction valued at USD 2 billion in 2019. However, barring this deal, 2020 recorded an 88% increase in the deal values. One of the reasons for the increase in deal activity is the uncertainty in the business environment caused by the pandemic that compelled companies to combine their strengths to battle the business downturn and seek new opportunities. This also supported the deal volumes increase from 28 deals in H1 2020 to 43 deals in later half of the year.

Deal summary	**145 deals** **USD 0.9 bn**	**92 deals** **USD 0.7 bn**	**113 deals** **USD 0.8 bn**	**78 deals** **USD 2.6 bn**	**71 deals** **USD 1.1 bn**
Top deals	PayU- Citrus Payment (USD 130 mn)	PropTiger- Housing.com (USD 250 mn)	Olacabs- Vogo Automotive (USD 100 mn)	RA Hospitality Holdings- Oyo rooms (USD 2 bn)	Zomato- Uber eats (USD 350 mn)
	2	1	2	2	3

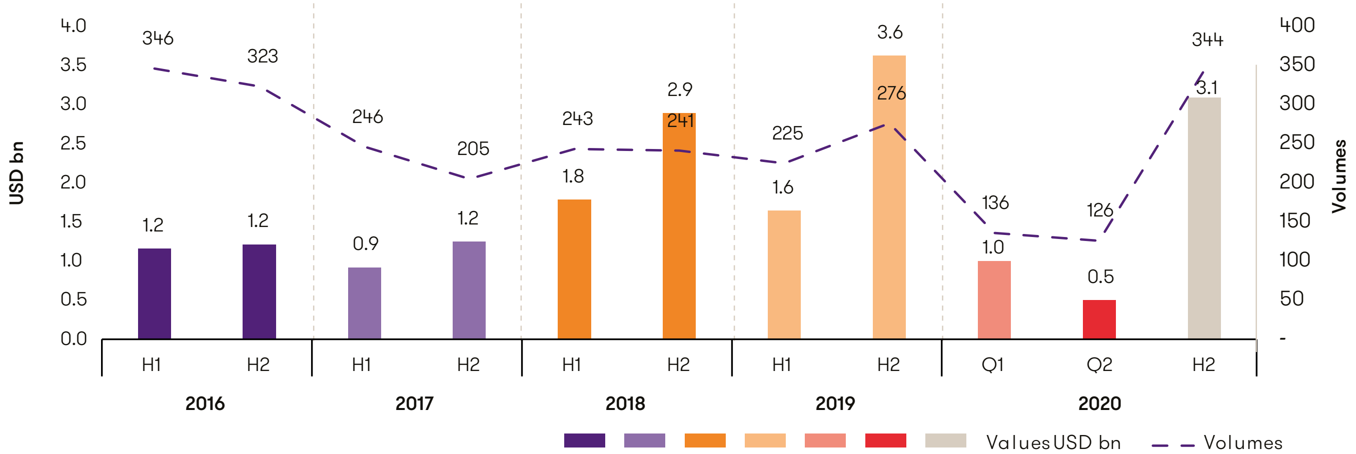


Top sector by value	Retail (22%)	Real estate tech (35%)	Travel, Transport & Logistics (34%)	Travel, Transport & Logistics (78%)	Edtech (36%)
Top sector by volume	Retail (17%)	Discovery platform (14%)	Fintech (19%)	Enterprise application and infrastructure (17%)	Edtech (17%)

PE trend

Start-ups raised USD 4.6 billion across 606 investments, highest yearly volumes in last four years and third highest in last 10 years. While demonetisation laid the groundwork for mass acceptance of digital world, the onset of the COVID-19 pandemic with social distancing norms and compliance protocols accelerated the pace of transitioning towards a robust contactless economy. This pushed the investment activity in H2 2020 that witnessed 31% increase in investment volumes while values more than doubled compared with H1 2020. Start-ups are working tirelessly to garner investor cheques by coming up with new advancement, innovative products to adapt to the 'new normal', creating new market offerings to drive expansion and scale new business verticals. PE/VC investors fueled the investment environment by launching new funds from the likes of Info Edge and Lightspeed, which is a booster shot for the Indian start-up ecosystem.

	2016	2017	2018	2019	2020
Deal summary	**669 deals** **USD 2.4 bn**	**451 deals** **USD 2.2 bn**	**484 deals** **USD 4.7 bn**	**501 deals** **USD 5.3 bn**	**606 deals** **USD 4.6 bn**
Top deals	Hike Ltd. (USD 175 mn)	OYORooms.com (USD 250 mn)	Swiggy.com (USD 1 bn)	Udaan (USD 585 mn)	PhonePe (USD 700 mn)
	5	5	12	22	17



Deals estimated and valued over USD 100 mn

Top sector by	2016	2017	2018	2019	2020
value	Retail (24%)	Travel, transport & logistics (24%)	Food tech (30%)	Retail (27%)	Fintech (35%)
volume	Retail and discovery platform (13% each)	Enterprise applications & infrastructure (14%)	Fintech (18%)	Retail (16%)	Fintech (17%)

Top 5 M&A deals accounted for 74% of the total M&A start-up deal values comprising 7% of volumes

Acquirer	Target	Sub-sector	%stake	USD mn
Zomato Media Pvt Ltd	Uber Technologies Inc.- Uber Eats India Pvt. Ltd.	Travel, Transport & Logistics	100%	350
Think & Learn Pvt Ltd- Byju's	WhiteHat Education Technology Pvt. Ltd.- WhiteHat Jr.	EdTech	100%	300
Reliance Retail Ventures Ltd	Vitalic Health Pvt. Ltd. (60%) and 100% in its subsidiaries, Tresara Health Pvt. Ltd., Netmeds Market Place Ltd. and Dadha Pharma Distribution Pvt. Ltd.	Health Tech	N.A.	83
Sorting Hat Technologies Private Limited- Unacademy	Prepladder Pvt. Ltd.	EdTech	100%	50
GoodWorker	Pravasi Rojgar	HR Tech	N.A.	34

Top 5 PE deals in 2020 accounted for 29% of total PE start-up values with 1% of investment volumes

Investor	Investee	Sub-sector	% stake	USD mn
Walmart Inc and existing investors	PhonePe Internet Private Limited	Fin Tech	13%	700
DST Global fund, Exor Seeds, Unbound and Moore Strategic Ventures	CARS24 Services Private Ltd.	Auto Tech	N.A.	200
SoftBank, General Atlantic, Sequoia India, Nexus Venture Partners, Facebook, and Blume Ventures	Sorting Hat Technologies Private Limited- Unacademy	EdTech	N.A.	150
Google and Mithril Capital	Glance Digital Experience Private Limited	Media Tech	N.A.	145
Investment Corporation of Dubai, Investcorp, Ascent Capital, US International Development Finance Corporation (DFC), the Allana Group and Iron Pillar	Freshtohome Foods Pvt. Ltd.	Food Tech	N.A.	121

Start-up funding (2018-2020)

Start-ups raising highest rounds of funding in the last three years

Company	Funding round	Funds raised (mn)
Vogo Automotive Pvt. Ltd.	7	USD 42
Curefit Healthcare Pvt. Ltd.	6	USD 359
Doorstep Retail Solutions Pvt. Ltd.- Milkbasket	6	USD 34
Sorting Hat Technologies Private Limited- Unacademy	6	USD 334
Billionbrains Garage Ventures Private Limited- Groww	5	USD 62
Eat Good Technologies Pvt. Ltd. - HungerBox	5	USD 23
Mohalla Tech Pvt. Ltd. - Sharechat	5	USD 260
Zorba Renaissance Pvt. Ltd. - SARVA	5	USD 16
Acko General Insurance Limited	4	USD 173
Aesthetic Nutrition Pvt. Ltd. - Power Gummies	4	USD 7
Bigwin Infotech Private Limited- Paisadukan	4	USD 4
Bunch Microtechnologies Pvt. Ltd. - Classplus	4	USD 23
CARS24 Services Private Ltd.	4	USD 343
Dunzo Digital Pvt. Ltd.	4	USD 65
Gensol Mobility Pvt. Ltd. - Blu-Smart Mobility Pvt. Ltd	4	USD 17
Hella Infra Market Limited- Infra.Market	4	USD 49
Hiveloop Technology Pvt. Ltd. - Udaan	4	USD 1,160
Neblio Technologies Pvt. Ltd. - CoinDCX	4	USD 22
Ola Electric Mobility Pvt. Limited	4	USD 310
Rivigo Services Pvt. Ltd. - Rivigo	4	USD 171
Sterne India Private Limited- arzooo.com	4	USD 12
Super Highway Labs Pvt. Ltd. - Shuttl	4	USD 40
Trell Experiences Pvt. Ltd.	4	USD 19
Vivriti Capital Pvt. Ltd.	4	USD 108

Funding round

Funds raised (mn)

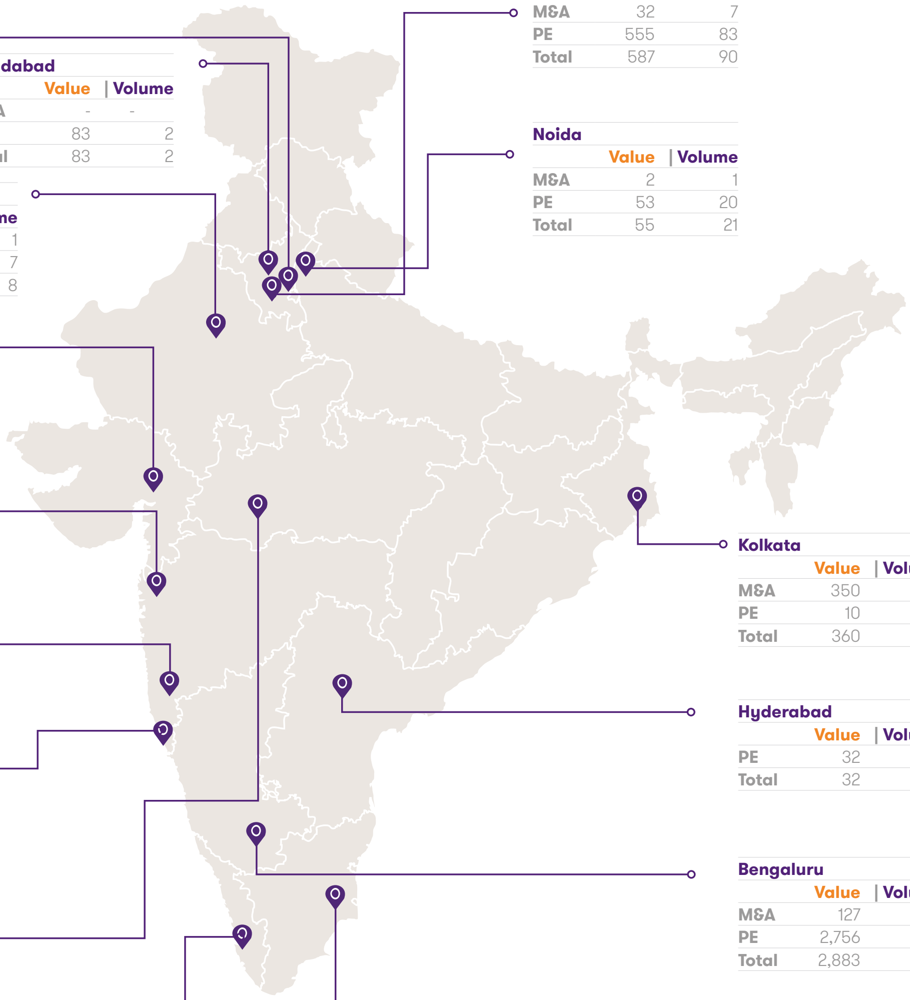
Start-ups that raised over USD 100 million funding in aggregate during 2018-2020

- 3 USD 1,310 — Bundl Technologies Pvt. Ltd.-Swiggy.com
- 4 USD 1,160 — Hiveloop Technology Pvt. Ltd. Udaan
- 1 USD 700 — PhonePe Internet Private Limited
- 1 USD 400 — Paytm E-commerce Private Limited- Paytm Mall
- 6 USD 359 — Curefit Healthcare Pvt. Ltd
- 4 USD 343 — CARS24 Services Private Ltd.
- 6 USD 334 — Sorting Hat Technologies Private Limited- Unacademy
- 4 USD 310 — Ola Electric Mobility Pvt. Limited
- 5 USD 260 — Mohalla Tech Pvt. Ltd. Sharechat
- 3 USD 220 — Home Interior Designs E-Commerce Pvt. Ltd. -Livspace
- 2 USD 200 — Dreamplug Technologies Pvt. Ltd.-Cred
- 2 USD 190 — Glance Digital Experience Private Limited
- 3 USD 190 — Zinka Logistics solutions Pvt. Ltd. -Blackbuck
- 3 USD 187 — Fashnear Technologies Pvt. Ltd.-Meesho
- 4 USD 173 — Acko General Insurance Limited
- 4 USD 171 — Rivigo Services Pvt. Ltd. - Rivigo
- 3 USD 152 — Freshtohome Foods Pvt. Ltd
- 3 USD 141 — Resilient Innovations Private Limited- BharatPe
- 3 USD 131 — Galactus Funware Technology Private Limited- Mobile Premier League (MPL)
- 2 USD 128 — Go Digit Infoworks Services Pvt. Ltd. - Digit Insurance
- 2 USD 125 — UrbanClap Technologies India Pvt. Ltd.
- 2 USD 125 — Ideas Infolabs Pvt. Ltd. - Ninjacart
- 1 USD 110 — BusyBees Logistics Solutions Pvt. Ltd. - Xpressbees
- 2 USD 110 — Lendingkart Technologies Pvt Ltd- Lendingkart.com

Funding round | Funds raised (mn)

Geographic representation by top cities

Bengaluru, Mumbai, Gurgaon and Delhi dominated the start-up ecosystem, both in terms of new companies emerging and the infusion of funds. They garnered a major chunk of the start-up funding with 78% funding volumes and 82% funds recorded in 2020. While tier 1 cities such as Chennai, Hyderabad, Pune continued to dominate the start-up space, tier 2 including Ahmedabad, Goa, Jaipur, Kolkata, Kochi and Indore gained momentum and remained home to start-ups aided with access to technology. Further, the availability of talent pool, local investor confidence and infrastructure support have in turn supported emerging entrepreneurs and start- up communities, growing in these cities.



Delhi

	Value	Volume
M&A	75	10
PE	337	75
Total	413	85

Faridabad

	Value	Volume
M&A	-	-
PE	83	2
Total	83	2

Gurugram

	Value	Volume
M&A	32	7
PE	555	83
Total	587	90

Noida

	Value	Volume
M&A	2	1
PE	53	20
Total	55	21

Jaipur

	Value	Volume
M&A	5	1
PE	35	7
Total	40	8

Ahmedabad

	Value	Volume
M&A	5	1
PE	15	10
Total	20	11

Mumbai

	Value	Volume
M&A	352	16
PE	427	102
Total	779	118

Kolkata

	Value	Volume
M&A	350	1
PE	10	7
Total	360	8

Pune

	Value	Volume
M&A	6	2
PE	209	27
Total	215	29

Hyderabad

	Value	Volume
PE	32	19
Total	32	19

Goa

	Value	Volume
PE	4	3
Total	4	3

Bengaluru

	Value	Volume
M&A	127	28
PE	2,756	209
Total	2,883	237

Indore

	Value	Volume
PE	8	4
Total	8	4

Chennai

	Value	Volume
M&A	88	2
PE	113	13
Total	201	15

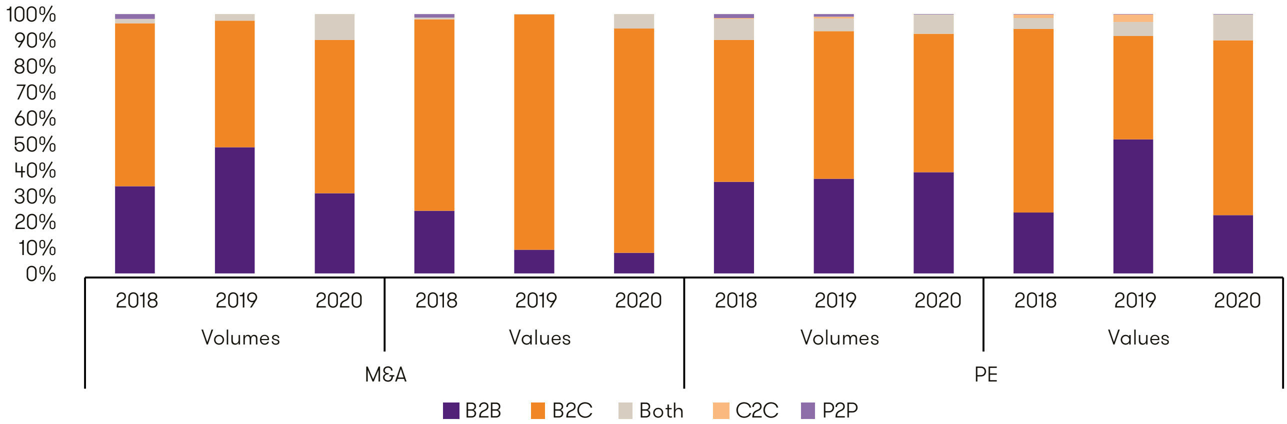
Kochi

	Value	Volume
PE	11	5
Total	11	5

Start-up classification based on business model breakdown: M&A and PE

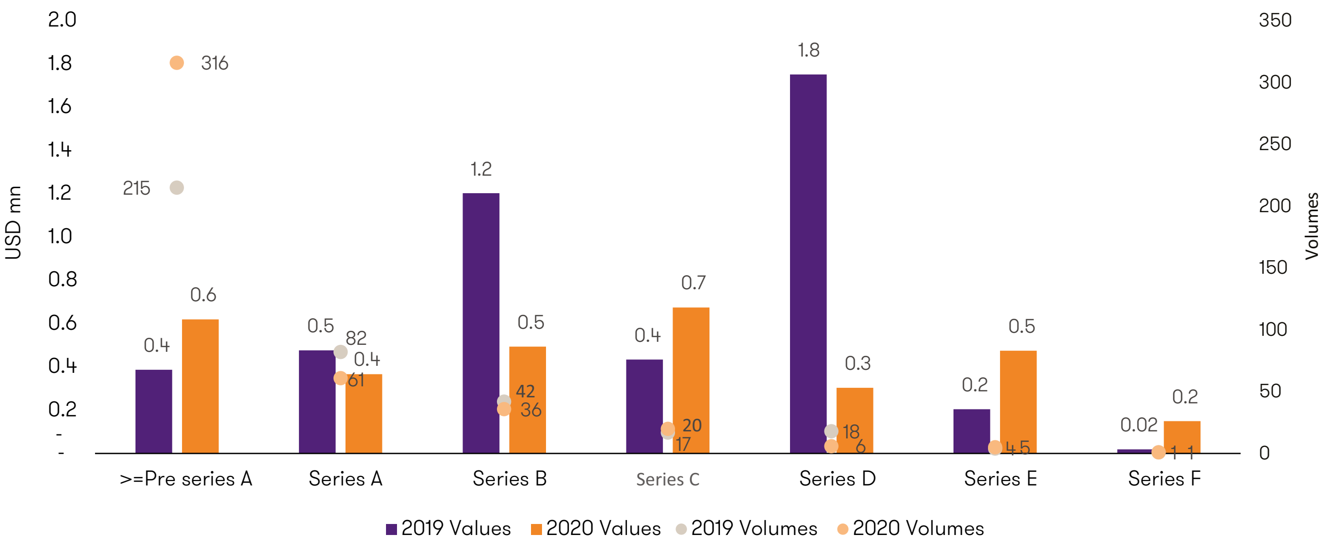
2020 saw surge in the B2C focused start-up raising funds to cater to the large consumer segment amid the disruption caused by the pandemic. Around 54% funding were led in the B2C start-ups however, B2B segment also witnessed considerable activity of funding mainly in the enterprise application and infrastructure and fin-tech space helping micro enterprise and SME segments grow following the easing of COVID-19-induced lockdown restrictions. The start-up ecosystem in the country has also evolved over time. From being focused on B2C, it turned towards fin-tech, especially the revolutionary changes emanating from digital payments. Now it has moved into the world of software as a service (SaaS).

Start-up breakup based on business model (pan India)



Funding series summary

Overall, 2020 had witnessed sharp fall in the growth and late-stage funding rounds compared with 2019. The volumes declined by 21% while values reduced over 60%. Many companies have been hit hard by the resonating impacts of the COVID-19 on the business environment. However, early-stage funding witnessed growth both in terms of funding volumes by 47% and funding values by 60%. The average deal size across early-stage start-ups in India increased to USD 1.96 million from USD 1.8 million in 2019. With the overall statistics, venture capital firms and start-ups are being positive with regards to the current and future impact of the COVID-19 pandemic. VCs are looking to fund the technologies being developed or already accelerating in usage due to the ripple effects of policies and economic impacts. Some early-stage investors are staying active as they sense opportunity amid standout companies able to keep exhibiting robust engagement during this time. But otherwise, funds continue to concentrate at the later stages.



Data based on disclosed funding series

Sector classification

PE

While growth-PE stage and late-stage firms have a proven business model in place, these companies will still have to prove they are relevant in the new economy. In case of seed/early-stage start-ups, the situation will be cautious with investors wanting to be extra careful about what business models and sectors will work post-COVID.

Fin-tech continues to stay on the top spot with 17% sector volumes and 35% values. The situation spurred a wave of innovation in digital workflows, virtual gaming and online education segment. With emphasis being placed on remote working environment and the lack of full mobility, start-ups focused on virtual collaboration platforms with enterprise application and infrastructure solutions and alike. The retail, hyperlocal delivery, online groceries, agri tech, food tech, auto tech attracted investors attention with investment volumes almost doubling in these segments compared with 2019.

Unacademy's Series F funding of USD 150 million made Unacademy join Byju's as the only other ed-tech unicorn in India. This was followed by Cars24's USD 200 million funding round that resulted in it being the first Indian start-up in the automotive sector to achieve unicorn status, as a raging pandemic prompted consumers to shift towards personal mobility. Other notable deals include, Munich Re Ventures investment into Acko General marked its foray into India's insurance market; Makers Fund and Courtside Ventures investment into WinZo marked first-ever investment by two venture capital funds in an Indian gaming firm. It was also the largest investment into an Indian gaming start-up since the COVID-19 pandemic.

PE sector Classification

Fintech		
86	77	100
587	976	1,623

Retail		
61	79	67
909	1,429	298

Edtech		
15	27	65
84	105	449

Enterprise applications and infrastructure		
50	39	52
171	160	199

Healthtech		
48	42	45
329	334	260

Travel, transport and logistics		
47	51	37
384	1,162	259

Others		
37	36	30
69	200	82

Agritech		
3	12	28
4	39	103

Data analytics and AI		
26	28	27
48	108	57

Discovery platforms		
33	20	24
241	66	62

Foodtech		
15	15	23
1,381	114	182

Mediatech		
10	13	23
30	17	199

On-demand services		
28	18	22
222	183	237

Autotech		
5	6	16
51	112	241

Gaming		
5	13	16
14	69	143

HRtech		
5	10	12
10	28	37

Real estate Tech		
2	9	12
11	50	97

Networking Platforms		
8	6	7
131	120	85

Top sectors based on deal volume

Volume	2018	2019	2020
Values USD mn	2018	2019	2020

M&A

While 2018 was dominated by acquisitions in fintech and travel, transport and logistics segment, 2019 witnessed heightened interest from strategic investors in the enterprise applications and infrastructure and data analytics, big data and AI space, 2020 was dominated by consolidation in the ed-tech segment. Consolidation volumes in this segment grew by 2× and 5× times while values spiraled by 25 times and 38 times compared with 2018 and 2019, respectively. The COVID-19 pandemic created a demand for online learning and with this move, there are new growth opportunities that await the ed-tech sector.

Retail, Enterprise Applications & Infrastructure, fin-tech, HR-tech segments have remained active with consolidations together constituting 34% of the start-up volumes. Even as entrepreneurs joined forces through M&As to tackle the pandemic, the year saw muted large dollar deals across segment. However, Zomato's acquisition of Uber Eats and Byju's acquisition of WhiteHat Jr. kept the momentum going with the deals forming the top two deals for the sector.

M&A sector Classification

Edtech

4	2	12
15	10	397

Healthtech

3	7	4
15	31	90

Real estate Tech

2	2	3
5	14	16

Retail

12	8	8
87	213	38

On-demand services

8	3	4
31	62	16

Autotech

2	2	2
66	10	10

Enterprise applications and infrastructure

9	13	6
40	77	24

Travel, transport and logistics

18	7	4
269	2,026	365

Data analytics and AI

8	9	2
31	45	5

Fintech

21	6	5
97	30	20

Discovery platforms

9	4	3
45	15	12

Foodtech

8	1	2
53	1	6

HRtech

1	2	5
5	10	55

Gaming

1	3	3
1	7	7

Agritech

1	3	
1	7	

Others

6	2	5
26	10	25

Mediatech

-	3	3
-	11	11

Networking Platforms

	1	
	5	

Top sectors based on deal volume

Volume	2018	2019	2020
Values USD mn	2018	2019	2020

Expert speak

The deal volumes seem to have stagnated over the past couple of years, but the quality of transactions has certainly put Indian start-ups on the global podium.

An unprecedented year, COVID-19 shook up the Indian start-up ecosystem like never before. A year that has seen forced and in some cases permanent changes in consumer behavior, pre-existing business models, expansion plans and fund raising milestones have been disrupted forcing start-ups to pivot, adapt and in some cases, perish.

Indian start-ups raised USD 5.7 billion in 2020, which was a 27% decline as compared with the funding raised in 2019. In terms of deal volumes however, the year saw a growth in the number of transactions consummated with 677 fund raise transactions being closed in 2020, which was 17% higher than the number of transactions in the same period last year. This trend was largely attributable to the emergence of many early-stage start-ups that have been focused on solving the problems of the post-COVID 'new normal' and have evinced strong interest from the investor community.

While on the one hand early-stage players solving 'new normal' problems drove up deal volume numbers, it was the more evolved businesses/unicorns that attracted the lion's share of investments in 2020 with investors preferring to invest in mature/stabilised businesses in a year full of uncertainties.

Sectoral trends in this year were largely driven by the degree of disruption caused by COVID on the underlying target segments. Accordingly, while sectors including fintech, ed-tech and health tech continued to see strong traction and attracted a majority of the investments in 2020, segments such as travel faced significant challenges due to COVID and found limited traction with investors.

Overall, the top sectors which clinched the maximum number of funding deals in 2020 are fintech and financial services (105), ed-tech (77), ecommerce/retail (75), enterprise software (58), and health tech (49). Together, these sectors constitute ~ 54% of the total deals consummated in the start-up ecosystem in 2020.

Despite COVID however, there are green shoots in the Indian start-up ecosystem that saw the emergence of 11 unicorns in 2020. The frequency at which Indian startups are entering this coveted club of billion-dollar valuation given the steadiness and the growth that these businesses have achieved amid the COVID-19 pandemic is worth mentioning.

In addition to these, the sector is also seeing a faster recovery in funding and job creation, with both expected to match and surpass pre-COVID numbers.

- With tailwinds from the COVID-19 pandemic expected continue into 2021, sectors like ed-tech, Fintech, Health Tech, HR Tech, OTT and online gaming are likely to outshine the market.
- In addition to sectoral trends, finalisation of regulatory changes pertaining to listing norms for start-ups is likely to be a pivotal event that will impact investor sentiment in this space in 2021.

Aditya Khanna
Director - Lead Advisory
Grant Thornton Advisory Private Limited

Sector spotlight

Sector trends

IT & ITeS

E-commerce

Pharma, healthcare and biotech

Retail and consumer

Banking and financial services

Sector trends

Top sectors based on values

Sector	2018	2019	2020
Telecom	19,275	4,394	20,663
IT & ITeS	6,203	3,388	3,702
Retail and consumer	5,981	1,731	10,753
Pharma, healthcare and biotech	2,880	4,004	3,442
Energy and natural resources	14,107	8,479	6,700
Banking and financial services	4,684	5,053	3,412
Start-up	5,464	7,857	5,710
Infrastructure management	1,728	2,989	2,578
Real estate	3,304	2,706	5,076
Transport and logistics	318	512	2,446
Manufacturing	16,638	8,649	4,727
Education	841	1,003	1,266
E-commerce	18,929	4,287	4,504
Automotive	475	790	1,195

Top sectors based on Volumes

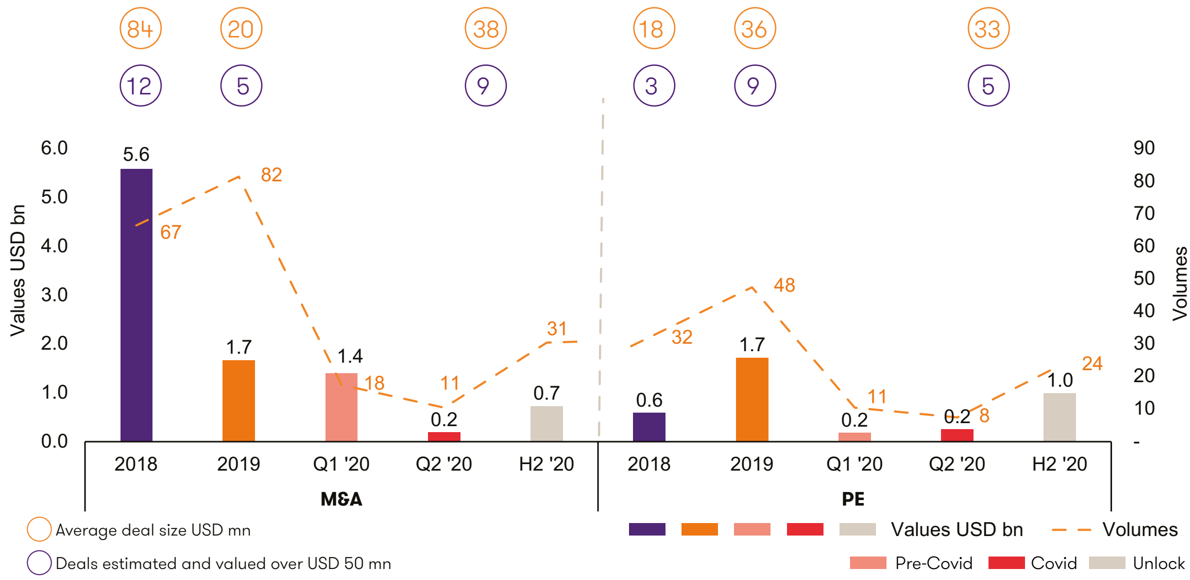
Sector	2018	2019	2020
Start-up	597	579	677
Education	37	30	36
IT & ITeS	99	130	103
Energy and natural resources	36	29	30
E-commerce	67	74	95
Automotive	12	20	28
Pharma, healthcare and biotech	59	77	63
Media and entertainment	46	39	25
Retail and consumer	63	55	55
Telecom	7	5	21
Banking and financial services	79	71	49
Professional/Business services	25	18	18
Manufacturing	54	44	39

Reliance Industries Limited's Jio Platform raised USD 20 billion across 18 funding rounds in four months during the pandemic. These rounds drove the telecom sector's contribution of 27% to the total deal values in 2020. This was followed by another spree of investments in Reliance Retail, through which the company raised USD 6.4 billion across 9 investments. It drove the retail sector values during the year to USD 10.8 billion.

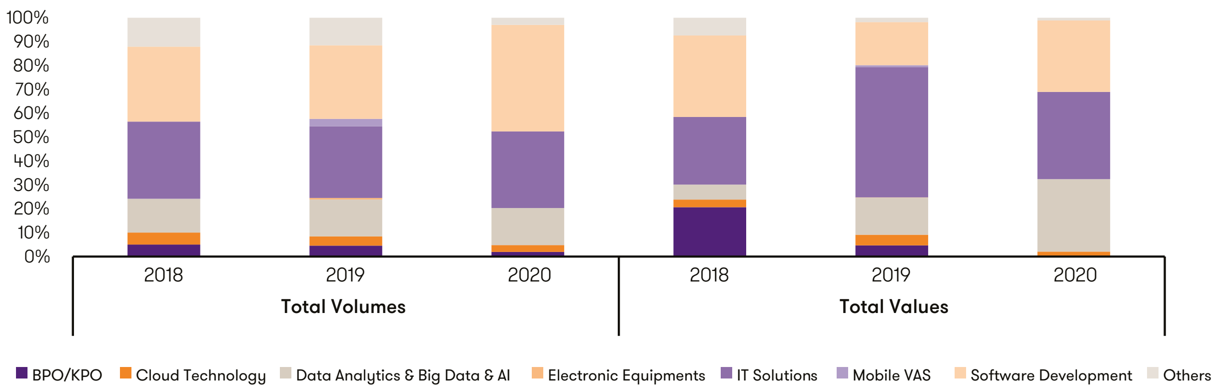
While the pandemic resulted in declining activity across various sectors, it encouraged digitalization and other disruptive technological megatrends, such as advanced analytics, artificial intelligence, automation, and big data. These saw a surge in deal activity in the start-up and IT sectors. The unlock phase witnessed a steady uptick in the retail and consumer, banking, manufacturing, and education against the hospitality and leisure, travel, and tourism sectors, which were worst affected during the year. The real estate sector also witnessed many big-ticket consolidations and buyout deals on the account of idle land, delays in project completion, and high maintenance costs and debt. The oil and gas, logistics and warehousing, clean and infra segments also remained active pushing the deal activity. Consolidations were also witnessed across sectors to establish a stronger footprint, strengthen capabilities, enhance balance sheet, to pare debt, and to withstand stiff competition, and survive in the new normal.

IT & ITES

Year-on-year deal trend



Sub-sector classification



Top M&A deals

The top deals accounted for 70% of the total sector deal values

Acquirer	Target	Sub sector	% stake	USD mn
Clarivate Analytics Plc	Piramal Enterprise Ltd.- Decision Resources Group	Data analytics and big data and AI	100%	950
Infosys Ltd.	Simplus- Outbox Systems Inc.	IT solutions	100%	250
Equinix Inc.	GPX India Pvt. Ltd.	IT solutions	100%	161
Infosys Ltd.	Blue Acorn iCi Group	IT solutions	100%	125
HCL Technologies Ltd.	DWS Ltd.	IT solutions	100%	119

Top PE deals

The top deals accounted for 72% of the total sector deal values

Investor	Investee	Sub sector	% stake	USD mn
Thoma Bravo, L. P	Majesco ltd- Majesco USA	Software development	74%	421
The Carlyle Group Inc.	Nxtra Data Limited	IT solutions	25%	235
Insight Partners, CRV and Nexus Venture Partners	Postdot Technologies Pvt Ltd- Postman	Software development	N.A.	150
GIC, Sequoia India, Ribbit Capital, Tiger Global, Y Combinator and Matrix Partners	Razorpay Software Pvt Ltd	Software development	N.A.	100
SoftBank Vision 2 fund, Norwest Venture Partners, Canaan Partners, NewView Capital and Qualcomm Ventures.	MindTickle Inc	Software development	N.A.	100

Expert speak

The merger and acquisition (M&A) deal volume declined 27% in 2020, compared with 2019. The value increased 38% due to one large deal of USD 950 million in the data analytics/ artificial intelligence (AI) space. The M&A activity was high in the IT solutions space indicating the continued focus by corporates on digital transformation assets to shore up their capabilities.

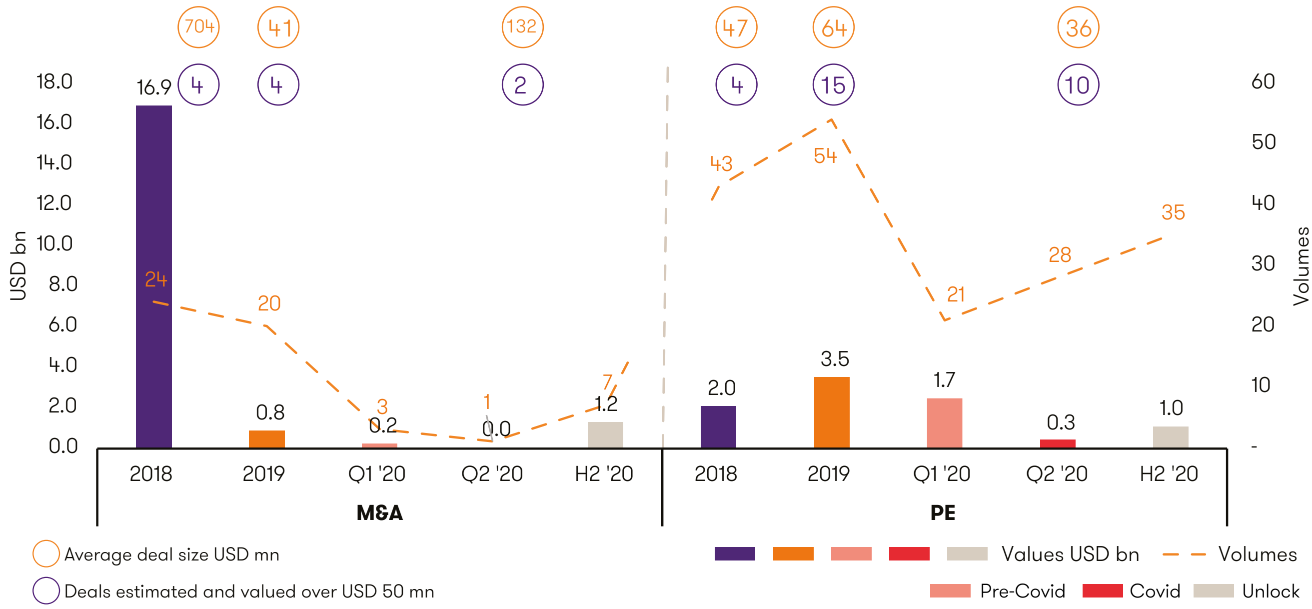
The PE deal volume fell 10% in 2020, but the value declined by more than 19% as there was only one large deal valued at USD 150 million in the first half (H1) of 2020 due to the COVID-19 pandemic. However, H2 2020 witnessed four large deals; mostly in the software development space (largest being USD 421-million deal) as the interest in cloud-based or software as a service offering continues.

The impact of lockdown on the deal process was limited as the industries were already making investments in the virtual world, however, there was a slowdown due to strategic rethinking/realignment to changing market situation. The recovery from such a temporary slowdown was quick as the pandemic acted as an accelerator for the changes, which were underway such as migration to the cloud, demand for data centers, digitalisation of businesses. Many companies adopted emerging technologies such as advanced analytics, AI, automation and big data. Therefore, the deal environment is likely to transform due to these disruptive trends. We expect the deal activity to go up in both M&A and PE space in 2021.

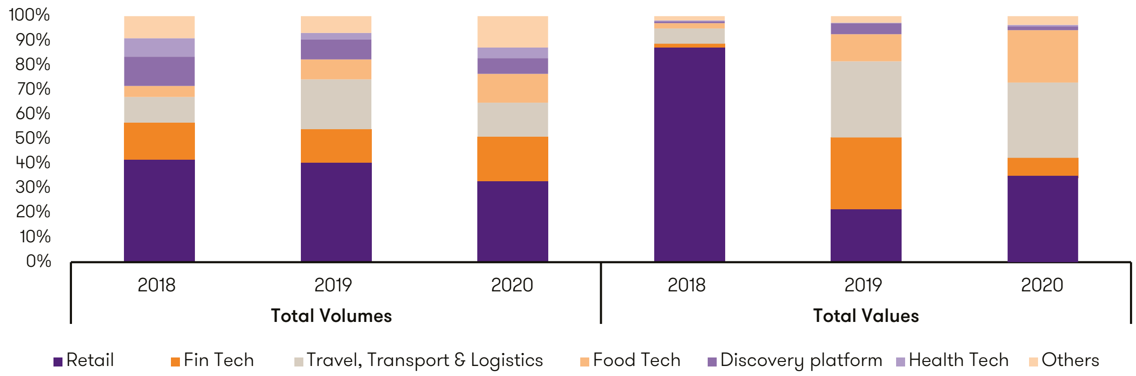
Shanthi Vijetha
Partner
Grant Thornton Bharat LLP

E-commerce

Year-on-year trend



Sub-sector classification



Top M&A deals

The top deals accounted for 98% of the total sector deal values

Acquirer	Target	Sub Sectors	Sector	% stake	USD mn
Walmart Inc.	Flipkart Online Services Pvt. Ltd.	Retail	E-commerce	N.A.	1,200
PayU Payments Private Limited	Paysense Services India Pvt. Ltd.	Fintech	E-commerce	N.A.	185
Reliance Retail Ventures Ltd.	Urban Ladder Home Decor Solutions Pvt. Ltd.	Retail	E-commerce	96%	25
Hindustan Media Ventures Ltd.	One MobiKwik Systems Pvt. Ltd.	Fintech	E-commerce	N.A.	6
Mahindra First Choice Wheels Ltd	Fifth Gear Ventures Ltd. - carandbike.com	Discovery platform	E-commerce	100%	4

Top PE deals

The top deals accounted for 56% of the total sector deal values

Investor	Investee	Sub Sectors	USD mn	% stake
Softbank and RA Hospitality Holdings	Oravel Stays Pvt. Ltd. - OYORooms.com	Travel, transport and logistics	807	N.A.
Softbank's Vision Fund	BrainBees Solutions Pvt ltd - Firstcry	Retail	296	N.A.
Partners Group	Ecom Express Pvt. Ltd.	Travel, transport and logistics	250	N.A.
Luxor Capital Group LP, Kora Management LP, Mirae Asset Naver Asia Growth Investment Pte Ltd, Steadview Capital, Bow Wave Capital Management LP and Baillie Gifford & Co.	Zomato Media Pvt Ltd	Food tech	195	N.A.
Tiger Global Management LLC & Temasek Holdings	Zomato Media Pvt Ltd	Food tech	160	N.A.

Expert speak

The e-commerce sector in India has had a mixed year. The PE deals grew from 43 in 2018 to 84 in 2020, while the M&A deals fell from 24 in 2018 to 11 deals in 2020. The average PE deal-size in e-commerce reduced by 43% over 2019, showing cautious investor sentiment in a market characterised by a high cash burn rate, inability to find the right product-market fit and a tough road to profitability.

An evident COVID-19 impact on PE deal-making was depicted by muted deal activity. 2020 started spectacularly, registering deals over USD 1.7 bn in Q1 itself with large deals in Food tech, retail and travel, transport and logistics led by Zomato, Firstcry and Oyo Rooms, respectively. However, the deal value in Q2 and Q3 combined accounted for less than 22% of all deals in 2020 and overall, the sector values were 12% lower than in the same period last year.

On the M&A front, 2020 was stronger than 2019. The top deal of the year i.e. Walmart - Flipkart deal (Additional fund infusion by Walmart in Flipkart) accounted for 83% of the deal activity by value for 2020, while the top 2019 deal of the year Hyundai-Ola Cabs accounted for 37% of the overall 2019 deal activity, demonstrating a more broad-based deal activity in 2019.

PE deal drivers in 2020

The fintech sector, which was the key sector in 2019 by deal value, was replaced by foodtech in 2020. Deals in this sector accounted for nearly two-thirds of all deals due to the growing penetration of food delivery companies – Zomato and Swiggy (accounting for 7 of the top 10 PE deals in foodtech in India). Restrictions on dine-out options, lack of available cooks and WFH were key drivers for foodtech with limited impact on food delivery as compared with other retail which led to an ~80% reduction in deals in retail.

Outlook for FY21

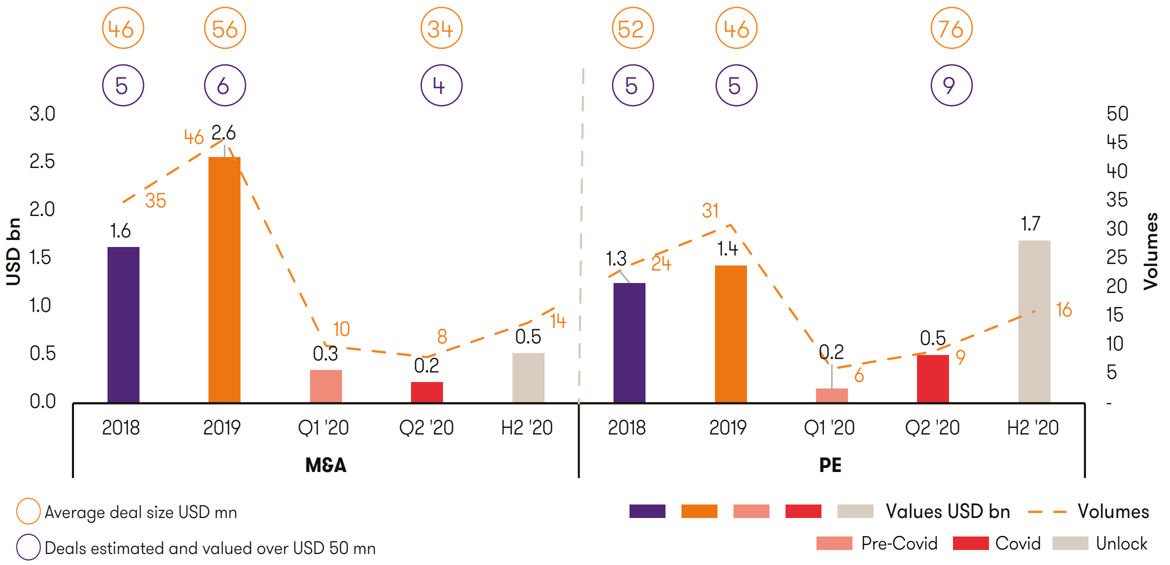
The e-commerce market in India is less than 5% of China's but is growing at ~20% annually. Its growth accelerated because of the disruption caused by the pandemic. These could be the top driving trends for the market in FY21:

1. Omni-channel selling will become a norm
2. Online buying will not be restricted to B2C
3. Increasing number of companies focusing on reaching directly to consumers (88% growth over 2019)
4. Decreasing shipment returns to improve profitability (15% reduction over 2019)
5. High-growth in Tier III cities (53% growth over 2019)
6. New categories growing at a rapid pace (beauty and wellness growing at 130% annually)

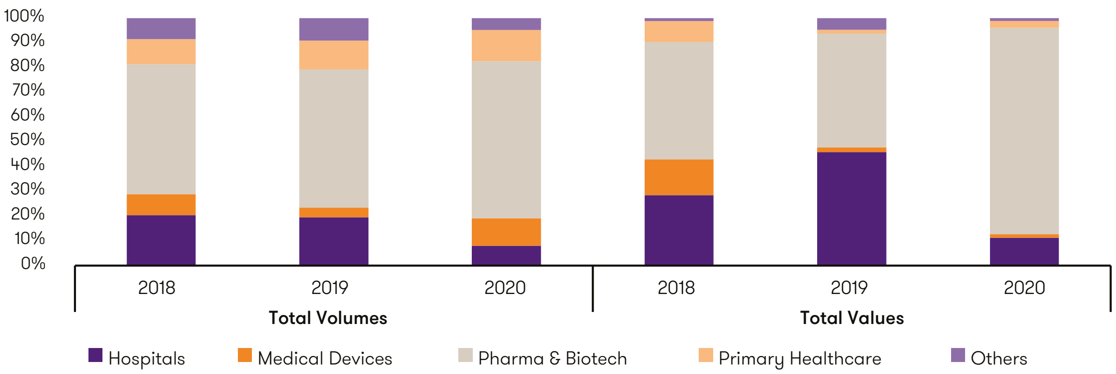
Alok Verma
Partner
Grant Thornton Bharat LLP

Pharma, healthcare and biotech

Year-on-year trend



Sub-sector classification



Top M&A deals

The top deals accounted for 76% of the total sector deal values

Acquirer	Target	Sub sector	% stake	USD mn
Manipal Health Enterprises Ltd.	Columbia Asia Hospitals Pvt. Ltd.	Hospitals	100%	284
Dr Reddy's Laboratories Ltd.	Wockhardt Ltd's generics drug business in India and a few other countries	Pharma and biotech	100%	260
Novavax Inc.	Serum Institute of India Pvt. Ltd.- Praha Vaccines a.s.	Pharma and biotech	100%	167
ZNZ Pharma 2 Ltd.	Celon Laboratories Private Limited	Pharma and biotech	74%	75
Taikisha Ltd.	Nicomac Clean Rooms Far East LLP	Pharma and biotech	74%	43

Top PE deals

The top deals accounted for 77% of the total sector deal values

Investor	Investee	Sub sector	% stake	USD mn
New Mountain Capital	Aurobindo Pharma Ltd. - Natrol Inc.	Pharma and biotech	100%	550
The Carlyle Group Inc.	Piramal Enterprises Ltd-Piramal Pharma Ltd	Pharma and biotech	20%	490
KKR & Co. Inc	JB Chemicals & Pharmaceuticals Ltd	Pharma and biotech	54%	409
The Carlyle Group	SeQuent Scientific Ltd	Pharma and biotech	74%	210
Goldman Sachs	Biocon Biologics India Limited	Pharma and biotech	N.A.	150

Expert speak

The markets are making a significant effort to mitigate the impact of the pandemic and the domestic businesses have shown positive signs of revival during the second half of the year. The pandemic has provided the impetus to the adoption of innovative, cost-effective and alternative business models. The Indian pharma and med-tech businesses have been very swift to adapt to the demands of the domestic and global market as the countries across the world are planning to avert dependencies of raw material supplies and production from China.

Indian pharma companies like Bharat Biotech, Serum Institute, Biologica E, Zydus Cadila, Panacea Biotec and Indian Immunological, which are at the forefront of developing the vaccines will auger well for investments into the drug development, drug discovery and research sector in India. India's pharma sector has now emerged as preferred manufacturing and development hot-spot that may lead to more investment and deal activities in the year 2021.

But the hospital sector needs a turnaround. The pandemic has impacted hospital bed occupancy, surgeries and procedures and the inflow of foreign patients. Nevertheless, the sector also saw one of the largest deals in the Indian healthcare space, when Manipal Hospitals acquired Columbia Asia Hospital chain in India, making it one of the largest chains in India.

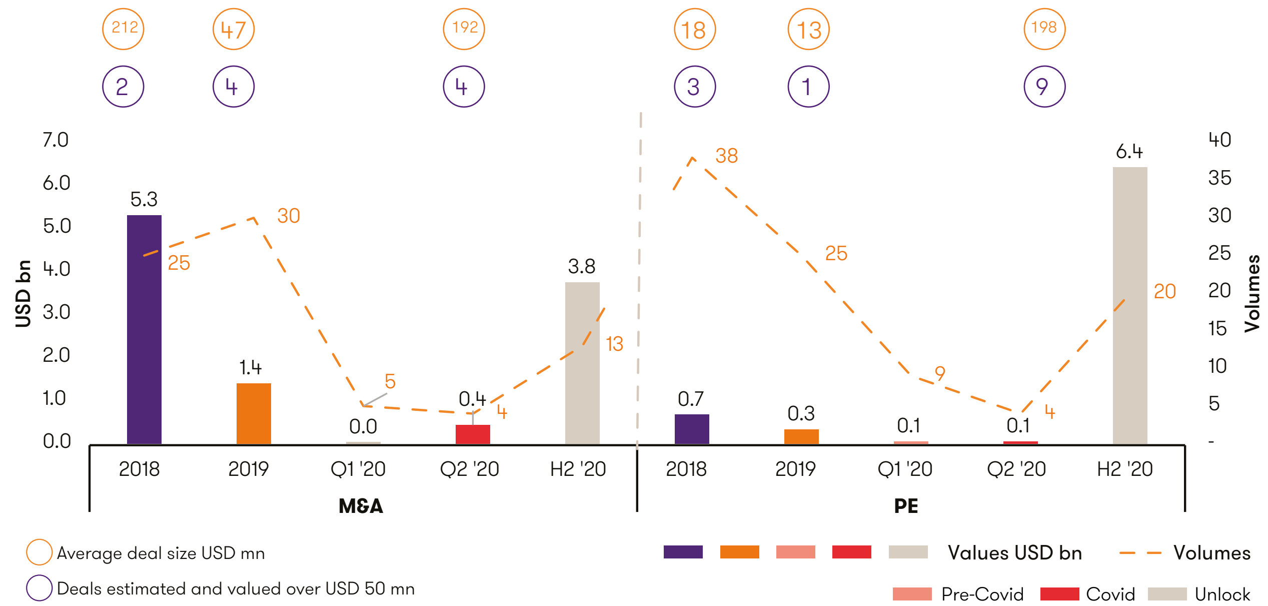
The PE industry continues to have a deep interest in the competence and quality of the Indian pharma and healthcare space and India continues to be a preferred investment hotspot.

The M&A and PE outlook for 2021 will remain guarded. The market envisages companies and investors reorienting their strategies to attaining self-sufficiency through a strategic partnership to ensure an uninterrupted supply line in the changing world order. With the pandemic impacting the financial performance and thereby affecting the business and capex expansion valuation outlook, the investors will continue to be in wait and watch mode from both investment and exit perspective. The government and industry are making significant efforts in strengthening various corridors of growth, which should result in positive deal sentiments in the market.

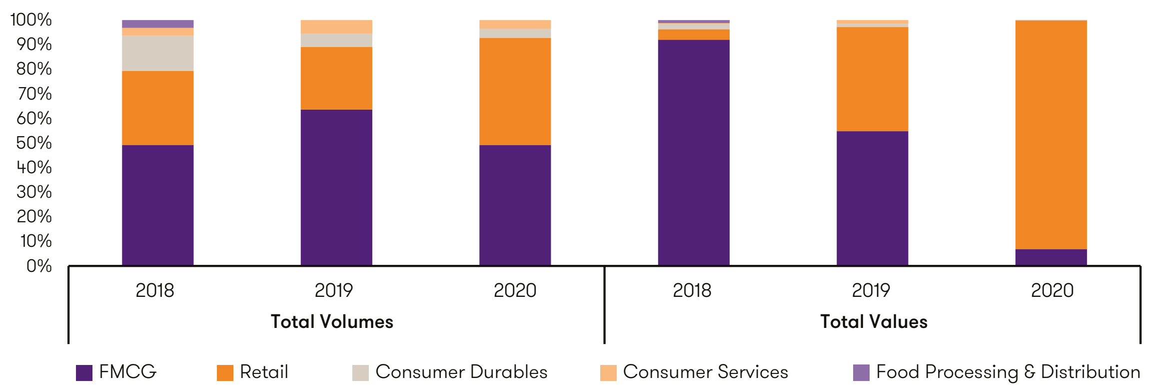
Santhosh C
Director
Grant Thornton Bharat LLP

Retail and consumer

Year-on-year trend



Sub-sector classification



Top M&A deals

The top deals accounted for 98% of the total sector deal values

Acquirer	Target	Sub sector	% stake	USD mn
Reliance Retail Ventures Ltd.	The Future Group- Retail and Wholesale business and the Logistics & Warehousing business	Retail	100%	3,295
Hindustan Unilever Ltd.	GlaxoSmithKline Consumer Healthcare Limited-Horlicks India	FMCG	100%	412
Flipkart Online Services Pvt. Ltd.	Aditya Birla Fashion and Retail Ltd	Retail	8%	203
MTR Foods Pvt. Ltd.	Eastern Condiments Pvt Ltd	FMCG	68%	181
Walmart Inc- Flipkart Online Services Pvt. Ltd.	Arvind Youth Brands Pvt. Ltd- Flying Machine brand	Retail	27%	34

Top PE deals

The top deals accounted for 99% of the total sector deal values

Investor	Investee	Sub sector	% stake	USD mn
Public Investment Fund, Silver Lake, Mubadala, Abu Dhabi Investment Authority, GIC, KKR, General Atlantic, TPG	Reliance Retail Ventures Ltd.	Retail	10.5%	6,364
Sequoia India, Sofina, Sixth Sense Ventures, Neoplux and family offices	B9 Beverages Pvt. Ltd.- Bira 91	FMCG	N.A.	30
International Finance Corporation	Future Lifestyle Fashions Ltd.	Retail	N.A.	30
A91 Partners	Pushp (Brand) India Pvt. Ltd.	FMCG	N.A.	16
Faering Capital, Trifecta Capital and Unilever Ventures	Pureplay Skin Sciences (India) Pvt. Ltd.- Plum	FMCG	N.A.	15

Expert speak

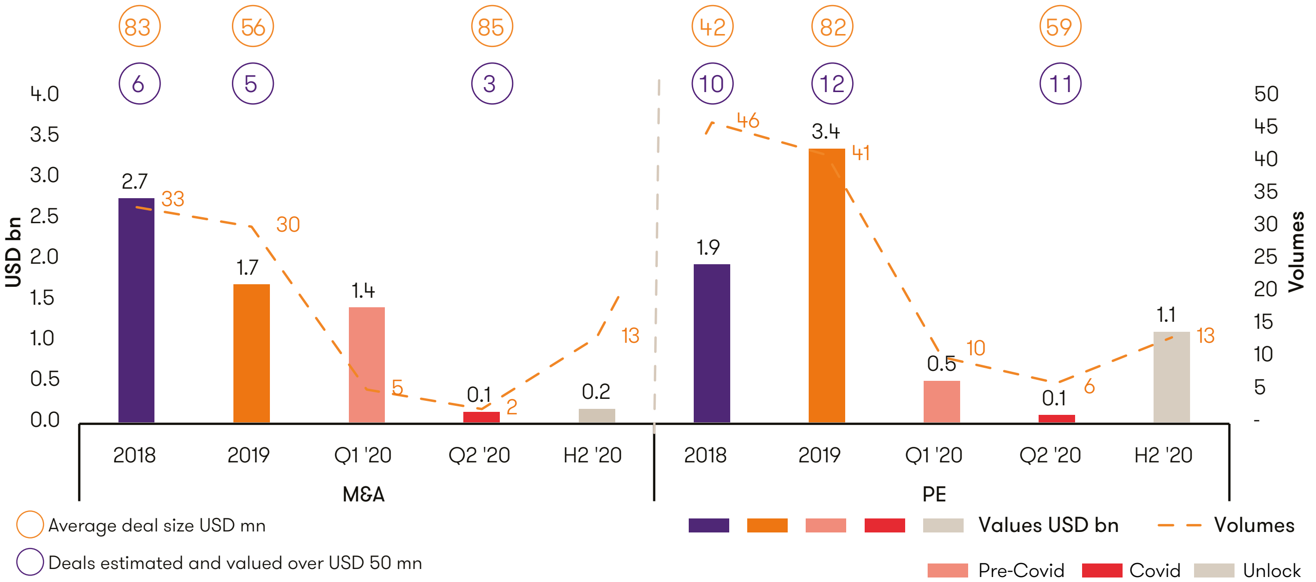
The unprecedented times have forced humankind to innovate and adapt. From the organisation structure, product offering, supply chain, promotion and advertising to point of sale, all business operations that were stable until 2019, have now undergone significant change. India's digital mission, coupled with the impetus on financial inclusion, enabled the companies and consumers to swiftly adapt to the new technologies. As a result, the retail and consumer sectors are well poised to grow in the coming years.

With supply chains and distribution channels easing out, it is expected that the sector will see many new regional brands emerging across categories. The food and consumer packaged goods (FMCG) segment is likely to see many transactions with small businesses either making big or being acquired by national or international brands. The ever-increasing e-commerce penetration is encouraging businesses to reduce their cost of operations by giving up or reducing leased retail points and increasing market reach through digital means. This move will also attract financial investors as companies increase their market share and improve their financial performance.

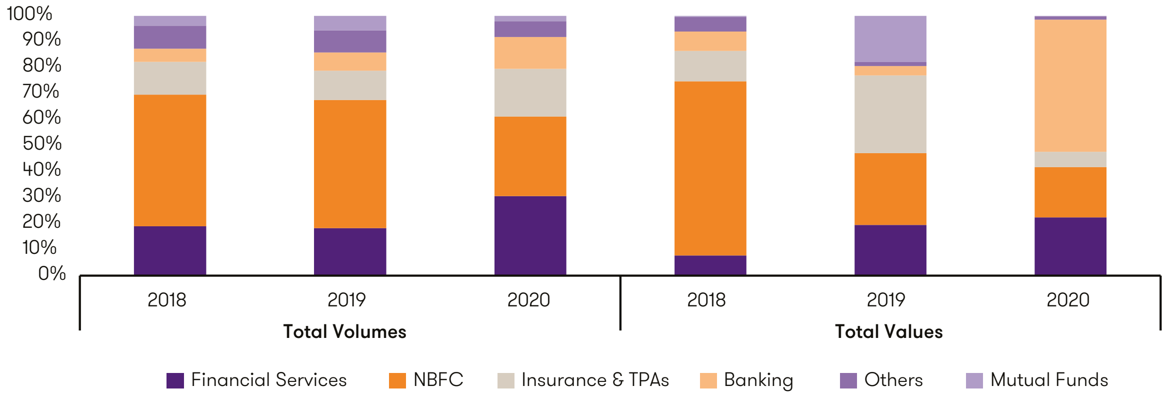
Rahul Kapur
Partner
Grant Thornton Bharat LLP

Banking and financial services

Year-on-year trend



Sub-sector classification



Top M&A deals

The top deals accounted for 96% of the total sector deal values

Acquirer	Target	Sub-sector	% stake	USD mn
SBI, HDFC, ICICI Bank Limited, Axis Bank Limited, Kotak Mahindra Bank Limited, The Federal Bank Ltd, Bandhan Bank Limited, IDFC First Bank Limited	YES Bank Ltd.	Banking	N.A.	1,389
Nexon Co. Ltd.	DMI Finance Pvt. Ltd.	NBFC	N.A.	123
Federal Bank Ltd.	IDBI Federal Life Insurance Company Ltd.	Insurance & TPAs	23%	67
QORQL Pvt. Ltd.	Raheja QBE General Insurance Company Ltd.	Insurance & TPAs	100%	38
Navi Technologies	DHFL General Insurance Limited	Insurance & TPAs	100%	14

Top PE deals

The top deals accounted for 56% of the total sector deal values

Investor	Investee	Sub-sector	% stake	USD mn
PAG	Edelweiss Wealth Management	Financial services	51%	300
Baring PE Asia, ICICI Prudential Life Insurance Co. Ltd., Gaja Capital and CDC Group	RBL Bank Ltd.	Banking	19.5%	210
Brookfield Asset Management	IndoStar Capital Finance Limited	NBFC	40%	204
TA Associates	National Stock Exchange of India Limited	Financial services	2%	150
Warburg Pincus LLC-Orange Clove Investments BV	Home First Finance Company India Pvt. Ltd.	Banking	25%	95

Expert speak

2020 was a dynamic year for the Indian banking sector. The pandemic is reshaping the banking industry by accelerating digitalisation, reducing growth in traditional banking products and altering the way the banks work, including a significant shift in the role of branches.

The banks played a crucial role in stabilising the economy and transmitting government stimulus and relief programmes. The pandemic enhanced the focus on increasing capital resilience and upgrading technological infrastructure.

Relaxations:

- Moratorium for 6 months ending 31 August 2020 for eligible borrowers to pay principal and interest with relaxation on their classification as a non-performing asset or a restructured asset
- A scheme announced for grant of ex-gratia payment of the difference between compound interest and simple interest for the period 1 March 2020 to 31 August 2020
- Reduction of cash reserve ratio (CRR) by 100 basis points to 3% of NDTL
- Requirement of minimum daily CRR requirement reduced from 90% to 80%
- Policy repo rate reduced under the LAF from 5.15% to 4.00%
- Credit facility to MSME borrowers under GOI announced Emergency Credit Line Guarantee Scheme (ECLGC)
- Resolution framework on COVID-19 related stress for eligible loans.

The road ahead:

The industry needs focused regulatory supervision, monitoring of the lending institutions and timely intervention by the Reserve Bank of India.

The long-term implications of the pandemic for the Indian financial services sector are uncertain. The Banks, in the short to medium term, can expect to see a reduced off-take of loans, lower interest rates which will be offset by lower cost of funds and increase in credit losses.

The banks required to automate IRAC norms by 30 June 2021.

General insurance

The general insurance (GI) companies have reported gross premiums of INR 1.9 trillion in FY20 (growth of ~11.2% as compared to FY19). Further, premiums in FY21 have reached INR 1.1 trillion (YTD October 20), recording a muted growth at 1.1% compared to the corresponding period in FY20, mainly due to the impact of COVID-19 – the growth being mainly driven by commercial and health insurance segments. On the other hand, automobile and travel insurance segments had been the most severely impacted segments within the sector.

There have been some significant changes in the industry, such as the launch of new products like COVID-specific insurance plans and increased digitalisation resulting from a focus on virtual interface and work from home model. The digital transformation has posed several new challenges in terms of increased cyber risk and vulnerability of the existing business continuity plans of the companies. There have also been several regulatory measures announced by the government in the wake of the pandemic, which includes, inter alia, extension of due dates for renewal premium for health and motor policies and extension of timelines for regulatory filings and returns.

Broking

As the Sensex rose from 29,468 points in March 2020 to 45,000 points and above by December 2020, there has been an increase in the brokerage business as well as a strong surge in retail client addition. There has been a rise in brokerage income in July and August as compared to previous months. However, due to the implementation of new Securities and Exchange Board of India (SEBI) guidelines with respect to marginal requirement in cash segment and pledging of client shares, there have been some operational hassles, which resulted in the reduction of trade volumes. Hence, there has been a slight reduction in brokerage income towards the end of the third quarter by 15-20%. The SEBI circular will ensure mitigation of the risk of misappropriation or misuse of the client's securities available with the broker.

Asset management

The asset management industry in India comprises mutual funds (MFs), portfolio management services, alternative investment funds, private equity funds, etc. The MF and asset management companies (AMC) are closely regulated by SEBI. In the past few years, certain regulations have significantly impacted the AMC businesses, such as the circular on the ban of upfront commission to MF distributors, the circular on the separation of expenses between MF and AMC, etc.

According to the data from the Association of Mutual Funds in India (AMFI), new MF distributor registrations have witnessed a sharp fall of 51%. The industry added 8,594 new independent MF distributors in FY20 as against 17,625 new registrations a year ago due to a ban on the upfront commission as per the SEBI circular of September 2020.

Management fees earned by the AMCs have been reduced in the first 6 months of FY20 due to a fall in the stock market because of the pandemic, which has affected the underlying asset under management (AUM), on which AMCs earn the management fees. The stock markets have been on a significant recovery trend after the lifting of the lockdowns by the central/state governments and the future seems to be brighter.

Mutual funds

Cooperative credit policy stance, continuous global liquidity flows and positive GDP growth forecast has led to Indian mutual fund industry AUMs stroking the highest ever ₹30 lakh crore benchmark. The equity-oriented mutual funds have witnessed a massive outflow in November, as investors booked profit amid higher market valuations. Despite the outflow, the AUM of the industry reached a record ₹30 lakh crore at the end of November. The events in the fixed income space which started with the IL&FS default, followed by DHFL and Franklin Templeton, where the fund house shuttered six of its debt mutual fund schemes, have led investors to seek safety in bank-backed fund house. It is also significant to note that there is healthy addition of 3.39 lakh systematic investment plans.

Life insurance industry

The life insurance business in India has been largely dominated by savings products (ULIPs), evident from new business premium growth being correlated more closely to equity market performance, rather than GDP growth. However, in the recent period, the product mix for private players has been shifting towards a more conventional business such as non-par (non-participating) savings and protection; this is because of the high volatility in the markets, increased awareness due to the pandemic, and a lower interest rate environment.

The insurance industry has significantly scaled-up with digital platforms (both internal and customer-facing) and as lockdowns are getting relaxed, the ability/willingness to do medical-tests before underwriting of insurance has also improved. The pandemic has also induced people to consider the option to take life insurance which will be medium-long-term positive for life insurers.

Historically, the private insurers have been highly focused on ULIP, a segment where they did not compete head-on with LIC. However, insurers are now focusing on building up non-ULIPs savings businesses, especially PAR products, which has been a forte of Life Insurance Corporation (LIC).

To drive growth in this segment, private insurers have been ramping-up their agency force including lateral recruitment from LIC's agent force. The non-PAR business entails guaranteed returns from the insurers and in the recent years, they have leveraged on latent demand for such products and hedged their risks through a combination of partly paid debentures of highly-arated corporates, long-term government bonds (up to 30 years) and hedging instruments like forwarding rate agreements (FRA) that help to ramp up this product. A more balanced product mix will help reduce volatility in premium growth for private insurers.

The first half of FY21 saw stronger growth in protection premiums (especially in 1Q) because of uncertainties related to the pandemic and a stronger push by distribution partners to sell protection products before the expected price increase (due to an increase in reinsurance rates). In Q1FY21, the sum-assured-to-premium ratio for the industry (and for most players) spiked, before normalising in 2Q. As there was a sharp decline in premiums of other products such as ULIPs, this increase can also be attributable to changes in the product mix. As a result, the share of protection in total APE (annual premium equivalent) increased for almost all insurers.

The growth seems to have moderated slightly in 2QFY21 vs. 1QFY21; we believe this is largely on account of the front loading of protection policies in 1Q before the expected increase in pricing. We believe that demand for protection business will remain strong over the medium to long term, given the opportunity size.

Khushroo B. Panthaky
Chartered Accountant
Mumbai

Sectors attracting big-ticket deals

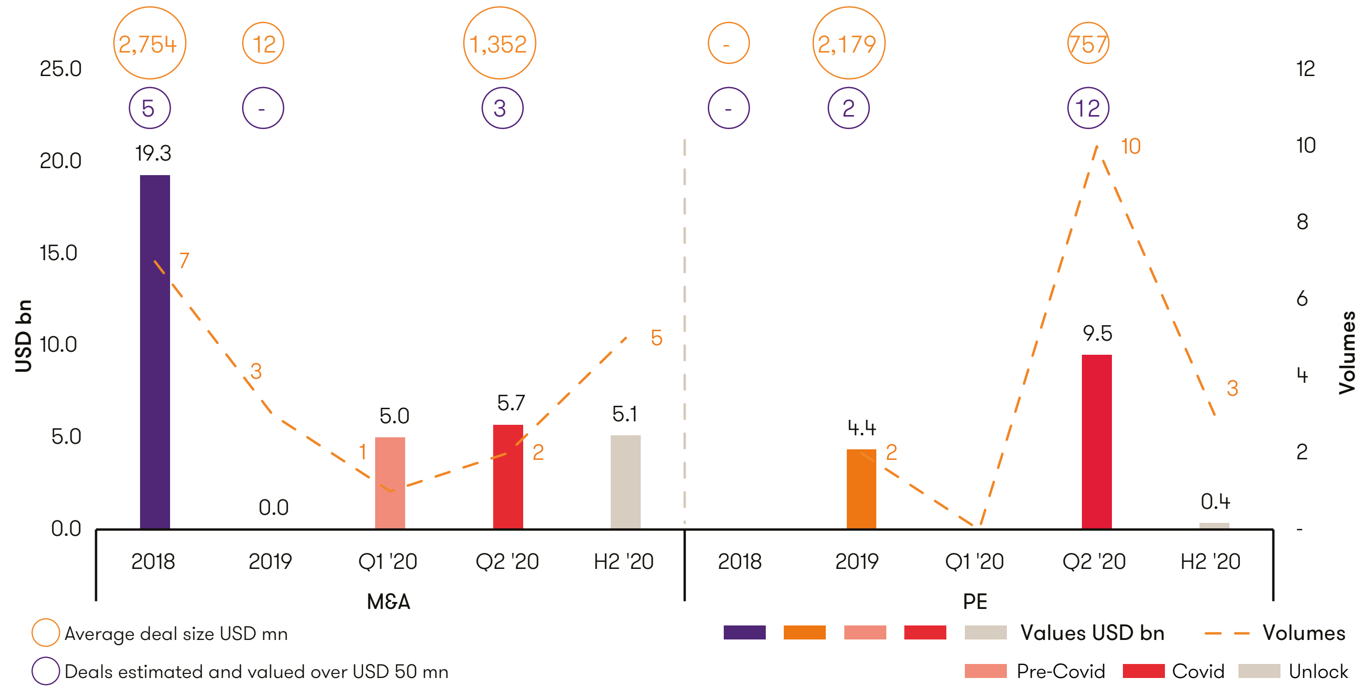
Telecom

Energy and natural resources

Manufacturing

Telecom

Year-on-year deal trend



Expert speak

As the global economy continues to reel from the impact of the COVID-19 pandemic, work from home and social distancing have become the buzzwords in today's business landscape, with the telecom sector playing an important role driving this shift. Remote working, videoconferencing and telecommunications technology have quickly emerged as key enablers for business operations during this lockdown, which is expected to increase the demand for telecom services. Therefore, as per some reports, the industry is expected to grow by 15-20% amid the economic slowdown. The improvement in BSE Telecom index by approximately 13% between December 19 and now is in line with the improvement in overall market indices. Further, valuation multiples of the major listed telecom players – Vodafone Idea Limited (VIL) and Bharti Airtel Limited (BAL) have seen a significant increase during the same period. Some of the key developments in the industry during calendar year 2020 are:

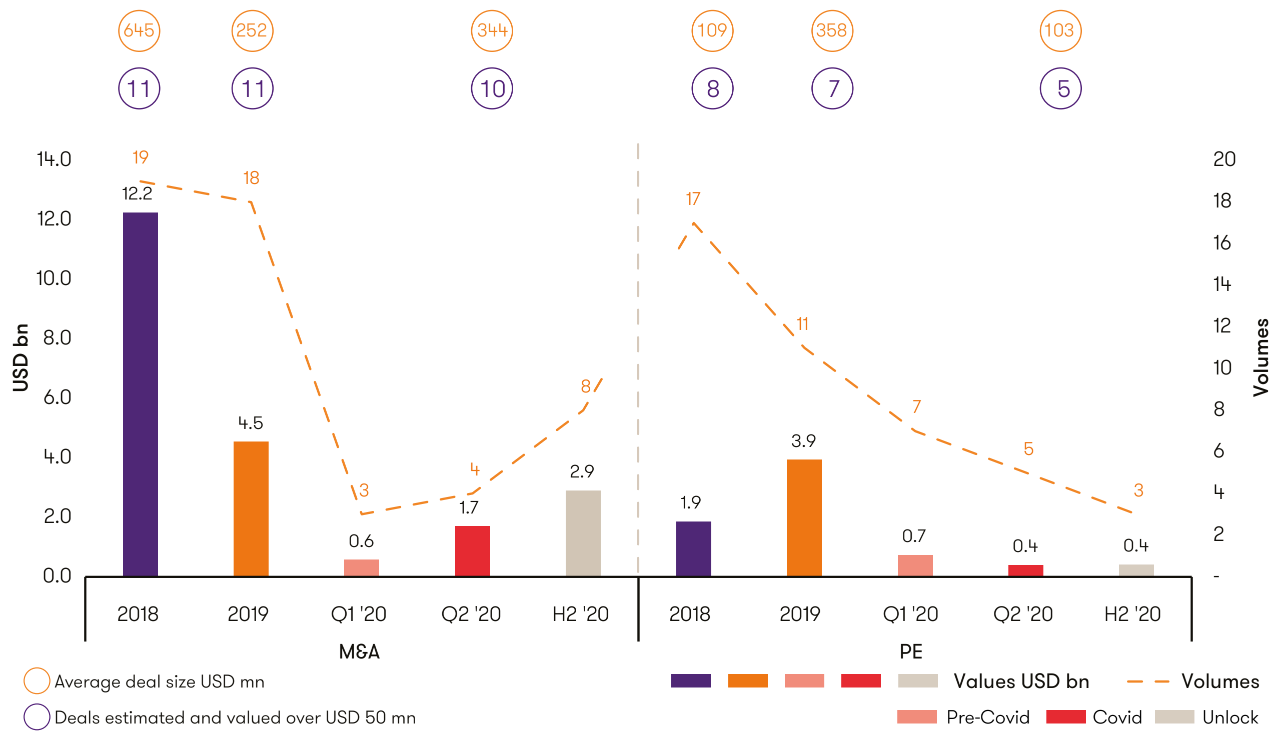
- The Supreme Court directed the Telcos for the adjusted gross revenue (AGR) payment in 10 years; however, they have to pay 10% of the amount by March 2021
- Reliance Jio becomes net debt-free ahead of schedule by selling ~33% stake to major global players
- DOT bans Chinese equipment vendors in the BSNL 4G tender

India, with a subscriber base of over 1.2 billion, is home to one of the world's largest internet consumer base, which encapsulates the enormous growth potential of the sector and is evident from the huge investment that the sector has attracted. In April 2020, Facebook's investment of USD 5.7 billion in Jio Platforms of Reliance Jio is the largest FDI in the technology sector in India. Subsequently, major global investors (including Google, KKR, Vista, etc) invested in Jio Platforms for a total amount of approximately USD 20 billion against 33% stake. BAL has also been able to attract investments from 15 top global PE houses during 2020 via QIP route. The recent inflow of investments, which Jio has attracted, pandemic driven increased usage of data and technology as well as industry consolidation leading to a three player market emerging in India are the factors, which bode well for the future of the Indian telecom sector.

Manish Saxena
Partner
Grant Thornton Bharat LLP

Energy and natural resources

Year-on-year deal trend



Expert speak

Most of the constituent business in this sector are seeing normalcy being restored and some of them reaching the pre-COVID lockdown levels of action and business. Power consumption has not come back to the pre-COVID level peaks yet, whereas the oil and petroleum products have seen good turnaround in offtake. In the mining segment, the relaxation of policies in the coal sector has not led to any positive outcome. The auctions have been deferred or extended for a few months with the expectation of revived interest. The focus simultaneously is increasingly on clean tech. With electric vehicles being the hot topic globally, there is incremental focus on this segment of power and energy.

M&A transactions in the year have been active with a number of deals equaling 2019 while on value terms, they have been fairly high despite the pandemic. However, PE deals have been muted despite increased number of transactions. The PE investment is expected to improve in the coming year post economic revival. Power and refining segments have again been the flag bearers in terms of the largest deal even if one were to exclude the USD 1.5 billion acquisition of a technology company by Haldia in the oil, gas and refining space. The trend has been the same in relation to PE investments while oil and gas has not garnered any investments from this community. Power has been the top drawer followed by clean tech.

Sridhar V
Partner
Grant Thornton Bharat LLP

Manufacturing

Year-on-year trend

Expert speak

Manufacturing remains one of the key focus sectors for the government. In addition to the successful Make in India and National Manufacturing Policy campaigns, the government continues to deliver initiatives to promote the manufacturing industry. For example, PLI scheme, increased FDI under automatic route in defence manufacturing from 49% to 74%. These initiatives haveIndia's manufacturing sector an attractive destination for foreign investments.

However, deal activity in the manufacturing space continued to decline and remained at USD 4.7 billion in 2020. The deal activity in 2020 also registered a de-growth on an annualised basis, continuing the trend from 2019. In addition to the global economic slowdown witnessed in 2019, the disruption in global production and economic activities due to lockdown triggered by the COVID-19 pandemic through 2020, amplified the adverse effects on demand and supply sides of the industry. Consequently, deal activity in 2020 fell short of 2019 levels both in terms of value and volume of domestic and cross-border transactions.

Despite the continued slowdown, the government's endeavour to promote industry and create 100 million new jobs by 2022 by promoting foreign investments, start-ups, tax rebates, ease of doing business, etc. can help achieve its vision of positioning India as a manufacturing hub of the world. Going forward, sunrise sectors such as renewable energy, electric vehicles, climate tech and transformation of the manufacturing sector through artificial intelligence and machine learning can be expected to drive sector related deals.

Gautam Dayaldasani
Director
Grant Thornton Bharat LLP

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Senses Pharma

Investment

Tech Mahindra

Strategic acquisition
of Born group

AION

Plutus
Financials

Private equity investment

Vatika

Private equity investment

Harvest Gold

Acquired Majority stake in Harvest Gold

Luminous

Investment in Luminous

Hi-Tech

Integrated Asset Management

Leveraged Buyout of Teutech with acquisition financing by Integrated Asset Management

Micromax

Investment in Micromax

Micromax

Investment in Micromax

Sutures India

Private Equity Investment

Matrix

Investment in Matrix

Livguard

Private Equity Investment

Matrimony.com Limited

Acquisition of Minority stake in Astro-Vision

BD Parenting Infotech Private Limited

Private Equity Investment

Webklipper Technologies Private Limited	99 Algorithms Private Limited	WoodenStreet Furnitures	
Vendor Due Diligence	Vendor Due Diligence	Vendor Due Diligence	Financial Due Diligence for debt transaction in a Residential real estate Project in Rewari, Haryana

Wipro	Singularity Automation	Tata Global beverages	
Investment in LetsShave Private Limited	Private Equity investment	Acquisition	Acquisition

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Acquisition	Financial and Tax due diligence

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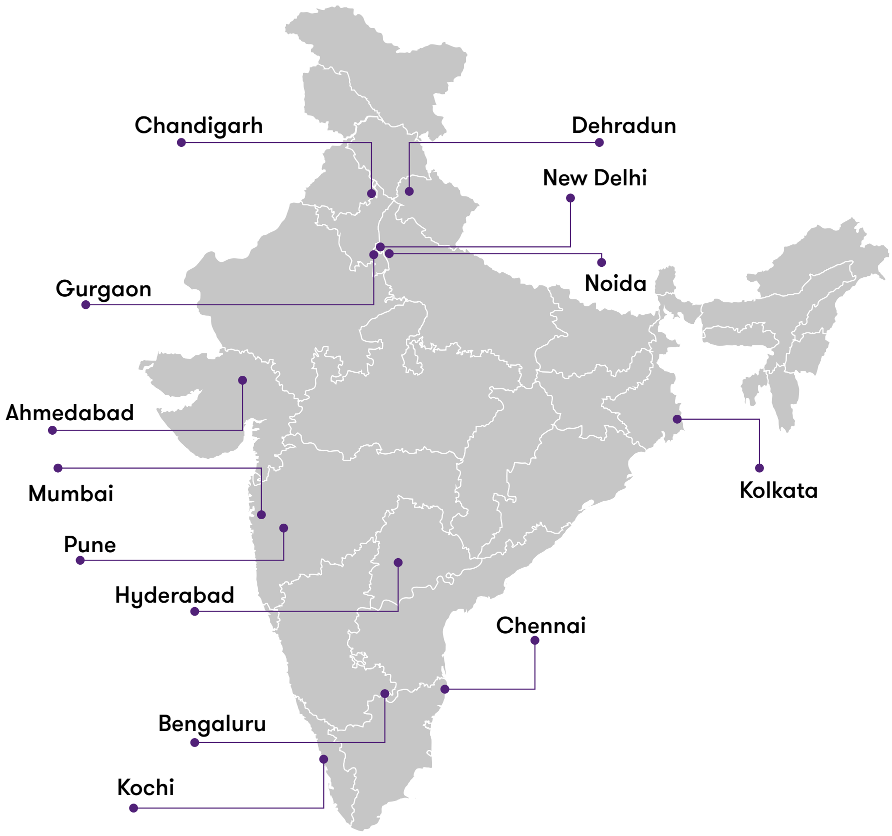

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