Grant Thornton

Reforms

Revenue Growth

Consolidation

Annual Dealtracker

Providing you with **merger and acquisition** and **private equity** deals' insights for 2021

17th annual edition

#GTBharat
SHAPING A **VIBRANT INDIA**

Contents

Disclaimer

This document captures the list of deals closed and announced as of 24th December 2021 based on the information available in the public domain. Our analysis in the document is basis appropriate assumption where necessary. Example, deals have been classified by sectors and by funding stage based on certain assumptions. If different assumptions were to be applied, the outcomes and observations would be different. Hence, the document should not be relied upon as a substitute for relevant and detailed advice.

Grant Thornton Bharat LLP does not take any responsibility for the information, any errors or any decision and any loss thereof incured by the reader as a result of relying on the document.

Foreword

Prashant Mehra
Partner and COO
Grant Thornton Bharat

India entered 2021 with a lot of optimism and little caution. The economy had begun recovering after shrinking in the April-June quarter of 2020 due to the nationwide lockdown. According to the Ministry of Finance, India's real GDP in Q2 FY22 has grown 8.4% y-o-y, thereby clocking over 100 % of the pre-pandemic output in the corresponding quarter of FY20. Revenue collection from GST in the current financial year has grown more than what it was during the pre-pandemic period. The buoyancy in collections suggests a recovery in industrial and construction activity, flourishing exports and growth in the service sector. India is among the few countries that have recorded four consecutive quarters of growth amid COVID-19, reflecting the resilience of the Indian economy.

India, being one of the largest economies in the world, is characterised by an exponential consumer base, making it desirable to potential investors. The changes in the macro-economic environment and dynamics of the target market constantly challenge large and growing businesses, operating internationally. Moreover, India has been able to attract foreign direct investment amidst the ongoing COVID-19 pandemic due to the economic shift from China and favourable government policies introduced in the country. There is a clear effort from the government in making Indian capital markets and institutions resilient and attractive for investors and corporates. Proactive regulations and pro-business policies have helped companies and investors shrug off fears and grab opportunities to become a part of the Indian growth story.

The Insolvency and Bankruptcy Code (IBC) has witnessed three large accounts, with claims of nearly INR 1.7 trillion notching up the approval of the National Company Law Tribunal (NCLT). This, coupled with some landmark judgements from the Supreme Court, bolstered the confidence amongst creditors on the efficacy of the corporate insolvency resolution process under IBC.

2021 was a record-breaking year for deal activity. The overall volumes stood over 2,000 deals valued at around USD 91 billion, marking the highest volumes in any given year. This was driven by an all-time high PE volumes (over 1,600 deals) and PE values (around USD 48 billion). The year also saw more than five dozen Indian companies floating initial public offerings (IPOs) that raised over USD 17 billion. The recent slew of start-up IPOs, with their stellar listings, is an indication of the vibrancy of the Indian entrepreneurship ecosystem. India is a hotspot for start-ups, with 2021 witnessing around USD 12 billion raised across record 1,200 deals. The year also saw the emergence of over 30 unicorns, driven by the continuous availability of a large pool of capital.

2021 was dominated by big-ticket transactions and investments across technology-led sectors, such as e-commerce, IT and start-up. While these sectors contributed to almost half of the deal values during the year, they constituted for nearly 75% of deal volumes. Banking, energy, manufacturing and aviation sectors witnessed billion-dollar transactions, further pushing the deal values for the year. Sectors such as manufacturing, hospitality, tourism, media and entertainment, which were adversely affected in 2020 owing to the pandemic, have made a strong comeback in 2021 by sealing deals.

We, at Grant Thornton Bharat, are pleased to present the 17th annual edition of the Dealtracker, our pioneering publication on the M&A and PE deals in India. When we started this publication 17 years ago, our objective was to cover all the deal highlights and sector updates and provide detailed analysis and insights into deal trends. We continue to emphasize that deals are an important growth driver for the Indian economy. Hence, we believe that for the Indian economy to grow and far exceed its projected growth rate, India Inc. needs to see more of both these activities.

We thank you all for being a part of our journey and hope that you will continue to share your valuable feedback. I hope you find this report an insightful read. Stay safe and here's hoping to #GoBeyond towards shaping a #VibrantBharat.

Key highlights

Shanthi Vijetha
Partner
Grant Thornton Bharat

All-time high

In the backdrop of the pandemic-induced uncertainty since 2020, which was compounded by global trade tensions, regulatory pressures, geopolitical issues and the US presidential transition, the deal makers started 2021 with optimism, hoping that the worst of the pandemic was over. The second wave of infections resulted in lockdowns across states. While it momentarily affected, it did not hamper the pace and resulted in 2021 witnessing a record number of deals (2,123 deal volumes worth USD 91 billion deal values). 2021's deal activity is marked by the record number of PE investments (1,624 deal volume and USD 48 billion) and by big-ticket deals in both M&A and PE deals and across sectors; 14 deals with more than USD 1 billion value and 150 deals with deal value between USD 100-999 million. The heightened deal activity was partly due to the postponement of deals in 2020 that were executed in 2021. However, the buoyancy of the deal activity cannot be understated in the backdrop of the paradigm shift in the way businesses is conducted that has been redefined over the last two years, from disruption of business models and the emergence of 'no-touch' businesses to an early adoption of digitisation and work from home culture. With these fundamental changes, new deal opportunities emerged, which, coupled with timely policy and credit measures by government and a stable banking system, have increased optimism around the recovery and resilience of economy. This fueled positive sentiments among businesses and deal makers.

Nowhere like home

M&A deals witnessed a significant growth of 39%, recording 499 deals valued at USD 43 billion (deal values in 54% of cases were not disclosed and, therefore, the total deal values could be higher) in 2021, compared to 360 deals worth USD 38 billion recorded in 2020. The surge in the deal values was on back of 10 deals valued at and over USD 1 billion each and 42 deals valued between USD 100-999 million. These high-value deals accounted for 89% of total M&A values, while representing 10% of volumes. Domestic deal activity dominated the M&A segment with 76% of M&A deal volumes recording 379 deals, highest for any given year, valued at USD 23.6 billion, third-largest in deal values. The key aspect of domestic M&A deal activity was the pandemic-induced necessity in terms of the need for consolidation, attaining market leadership, for efficient supply chain strategy and for better margins and IBC-driven large ticket deals. Government's Atmanirbhar Bharat (self-reliant India) initiative and the Production Linked Incentive (PLI) Scheme have further aided domestic deal environment.

Deal summary	Volume					Value (USD mn)				
Year	**2017**	**2018**	**2019**	**2020**	**2021**	**2017**	**2018**	**2019**	**2020**	**2021**
Domestic total	**250**	**285**	**266**	**215**	**379**	**32,278**	**51,748**	**17,733**	**16,306**	**23,594**
Inbound	86	100	95	68	57	5,962	25,695	7,905	18,291	11,324
Outbound	77	92	82	77	63	2,183	11,935	1,995	2,948	8,011
Cross-border total	**163**	**192**	**177**	**145**	**120**	**8,145**	**37,630**	**9,900**	**21,239**	**19,335**
M&A total	**413**	**477**	**443**	**360**	**499**	**40,423**	**89,378**	**27,633**	**37,545**	**42,929**
PE total	**732**	**794**	**815**	**952**	**1,624**	**20,473**	**20,651**	**31,202**	**39,854**	**48,171**
Grand total	**1,145**	**1,271**	**1,258**	**1,312**	**2,123**	**60,896**	**1,10,029**	**58,835**	**77,399**	**91,100**

Border control

Cross-border deal activity, on the other hand, witnessed 17% decrease in deal volumes recording the lowest deal volumes for any given year due to fall in both outbound and inbound volumes, owing to prevailing global uncertainties. 2021 witnessed 120 cross-border transactions worth USD 19.3 billion. This includes five multi-billion-dollar deals, 16 deals valued at and above USD 100 million, together totaling USD 17.8 billion, compared to six and 16 deals, respectively, recorded in 2020. 2021 inbound deal activity witnessed a decline of 16% in deal volumes compared with 2020, at 57 deals marking the lowest volumes since 2011. Deal values dropped 38% owing to Facebook and Google's combined investment of USD 10.1 billion in Jio Platforms in 2020. Barring this deal, deal values saw 39% increase, driven by three multibillion-dollar deals, totaling USD 9.2 billion- PayU-Billdesk (USD 4.7 billion), Total SE-Adani Green Energy (USD 2.5 billion) and Sumitomo Mitsui-Fullerton India Credit Company (USD 2 billion). Similarly, outbound deal activity saw dip in terms of deal volumes compared to last year as it recorded 63 deals valued at USD 8 billion.

Four-wheel drive

The Indian PE ecosystem has rallied sharply despite the pandemic and recorded USD 48.2 billion across 1,624 investment rounds in 2021, marking the highest annual values and investment volumes. This surge in the investment values is attributed to four deals in the billion-dollar category and 108 deals valued between USD 100-999 million, together accounting for 73% of the total PE investment values with only 7% of deal volumes. Despite the uncertainty, 2021 witnessed 1.5 times growth in the investment volumes, compared with 2020, attributable to continued domestic and overseas investor interest towards Indian start-ups, and the momentum is likely to stay strong.

It's in the public!

2021 witnessed 65 IPOs raising a cumulative of USD 17.7 billion, marking record volumes and values, surpassing the previous high of 37 issues raising USD 10.7 billion witnessed in 2017. The issue size of One-97 Communications backed Paytm has been the biggest in a decade at USD 2.4 billion. However, equity fund-raising through qualified institutional placement (QIP) route dropped to USD 6.2 billion in 2021, a 40% decline from a record USD 10.4 billion in 2020. Financial institutions were major fundraisers through this route with 28% of issue volumes and 45% of the issue size.

Tech of things

The start-up sector topped the industry-wise deal volume chart with investments worth USD 12 billion across 1,195 deals. This accounted for 13% of overall values and over 56% of deal volumes in 2021. Further, as customers migrated to digital channels during the pandemic, many tech-businesses benefitted from the increase in demand. Domestic corporates and wealthy individuals, along with overseas and domestic investors, came on board to fund the homegrown firms, which also resulted in the year witnessing the birth of 33 unicorns. E-commerce led the deal value chart with investments worth USD 17.9 billion, driven by Flipkart's USD 3.6 billion fundraise and Tata Digital's USD 1.3 billion acquisition of Bigbasket. IT & ITeS stood second with investments worth USD 14.5 billion across 141 deals. The sector witnessed four multibillion-dollar deals that captured 16% of overall values with 7% of volumes. The banking sector witnessed the largest transaction of the year with Piramal Capital & Housing Finance's USD 5.1 billion acquisition of Dewan Housing Finance Corporation, along with 10 other high-value transactions, totaling the sector values to USD 11.2 billion with 57 deals supported the deal values. Energy, manufacturing and aviation sectors witnessed billion-dollar transactions further pushing the deal values for the year.

Here's hoping

The pandemic accelerated digitisation and transformed businesses across sectors. For India, investor perspective is now optimistic and focuses on the long-term, which shows how the temporary pandemic-induced slowdown will not hamper growth. A conducive economic environment, backed by effective reforms and governance, would further boost the sentiment and attract more investments. On the flip side, inflationary concerns, resulting in rate hikes and liquidity constraints, may have an impact on the deal activity in the 2022. PE deal activity has been at all time high and M&A deal activity reached pre-COVID levels in 2021, so we are hoping the trend to continue, with deal activity heightening in this new year.

Deal trends

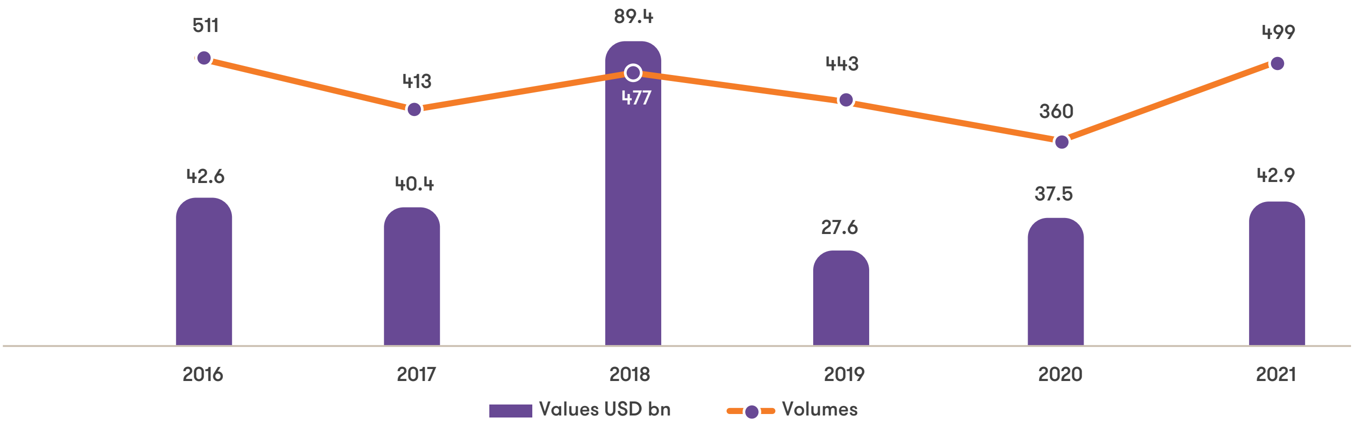
Annual trends

Monthly trends

Annual trends

M&A deal trends

Top deals >USD 5 bn	**USD 12.9 bn** Rosneft PJSC, Trafigura and United Capital Partners-Essar Oil	**USD 23 bn** Idea-Vodafone	**USD 16 bn** Walmart-Flipkart **USD 14.6 bn** Bharti Infratel-Indus Towers **USD 5.8 bn** ONGC-Hindustan Petroleum **USD 5.5 bn** Tata Steel-Bhushan Steel	**USD 7.2 bn** ArcelorMittal-Essar Steel	**USD 5.7 bn** Facebook-Jio Platforms	**USD 5.1 bn** Piramal Capital & Housing Finance-Dewan Housing Finance Corporation
No. of deals >USD 1 bn	9	3	**16**	4	11	10
No. of deals between USD 100-999 mn	39	42	**51**	47	35	42

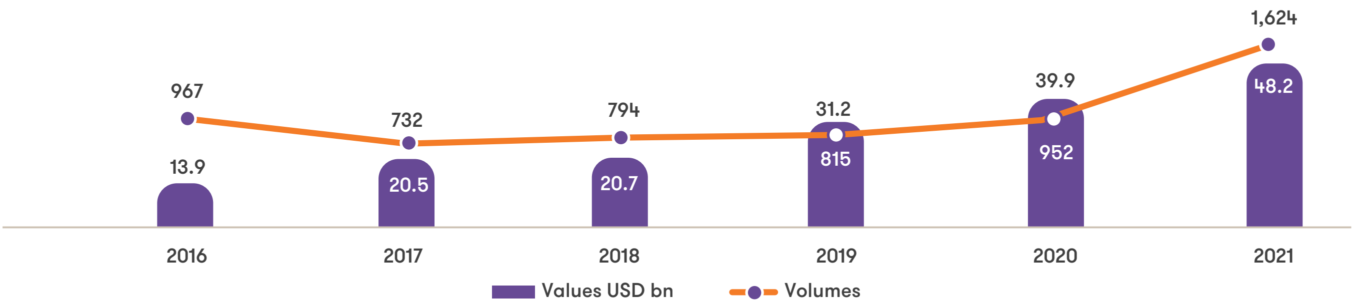


Top two sectors by value					
41% Energy and natural resources	**62%** Telecom	**22%** Telecom	**29%** Manufacturing	**29%** Telecom	**22%** Banking and financial services
15% Manufacturing	**8%** Banking and financial services	**19%** E-commerce	**16%** Energy & natural resources	**13%** Energy & natural resources	**20%** IT & ITeS
Top two sectors by volume					
28% Start-up	**22%** Start-up	**24%** Start-up	**19%** IT & ITeS	**20%** Start-up	**25%** Start-up
11% IT & ITeS Pharma, healthcare & biotech	**17%** IT & ITeS	**14%** IT & ITeS	**19%** Start-up	**17%** IT & ITeS	**15%** IT & ITeS

Annual trends

PE deal trends

Top deals >USD 1 bn	**USD 1.6 bn** Reliance Infratel **USD 1 bn** Hiranandani Group	**USD 2.5 bn** Flipkart **USD 1.8 bn** Axis Bank **USD 1.4 bn** Paytm **USD 1.4 bn** DLF Cyber City Developers **USD 1.1 bn** Olacabs	**USD 1.2 bn** UPL Ltd **USD 1 bn** Swiggy **USD 1 bn** Oyorooms	**USD 3.7 bn** Reliance Jio Infratel **USD 1.8 bn** East West Pipeline **USD 1 bn** Paytm	**USD 9.8 bn** Jio Platforms **USD 6.4 bn** Reliance Retail Venture **USD 2 bn** RMZ Corp **USD 1.2 bn** Prestige Group **USD 1 bn** Jindal Shadeed Iron and Steel **USD 1 bn** Piramal Glass	**USD 3.6 bn** Flipkart **USD 2.1 bn** Mphasis **USD 1.2 bn** HGS-healthcare biz **USD 1 bn** Tata Passenger Electric Mobility Ltd
No. of deals >USD 1 bn	2	5	3	3	**10**	4
No. of deals between USD 100-999 mn	26	33	48	65	64	**108**

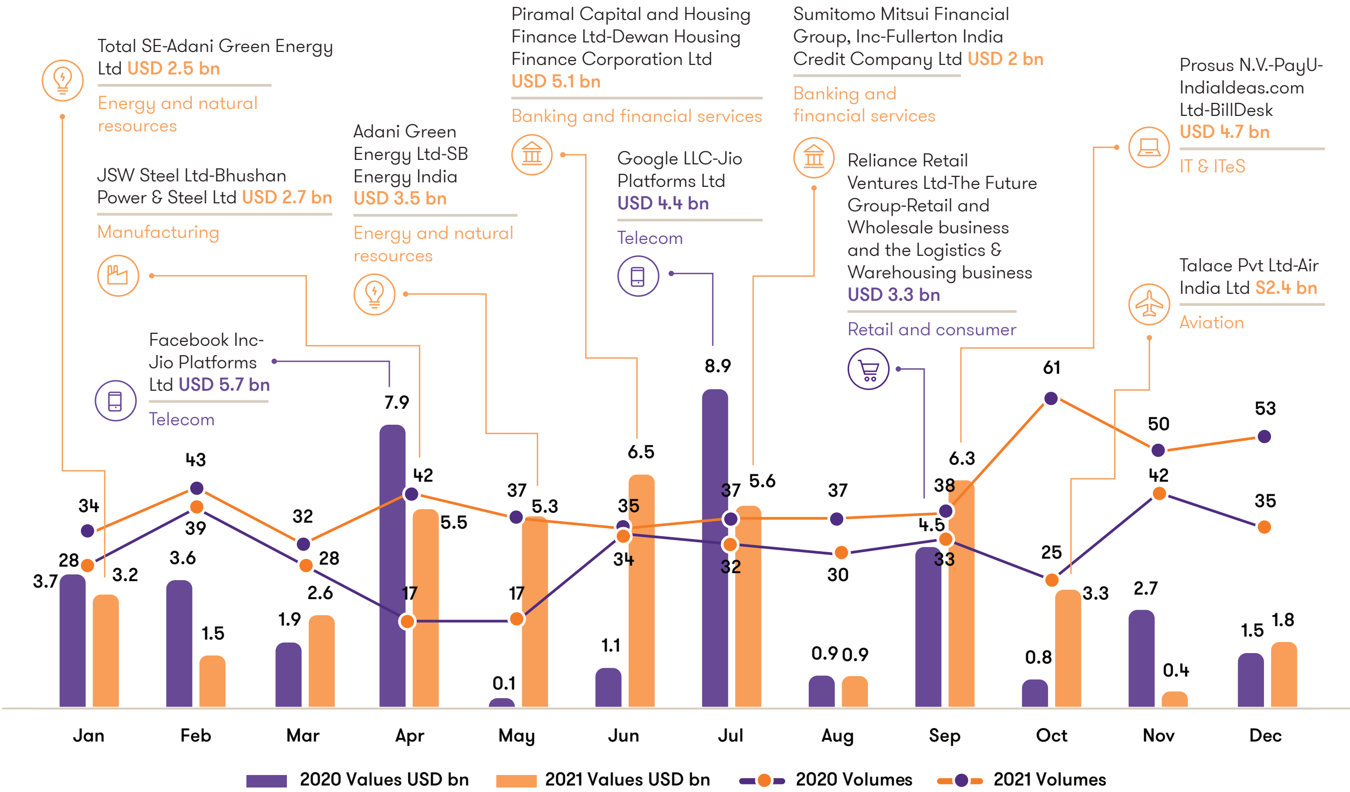


Top two sectors by value					
17% Start-up	**30%** E-commerce	**28%** Start-up	**17%** Start-up	**25%** Telecom	**32%** E-commerce
15% Telecom	**20%** Banking and financial services	**13%** Real estate	**14%** Telecom	**16%** Retail and consumer	**23%** Start-up

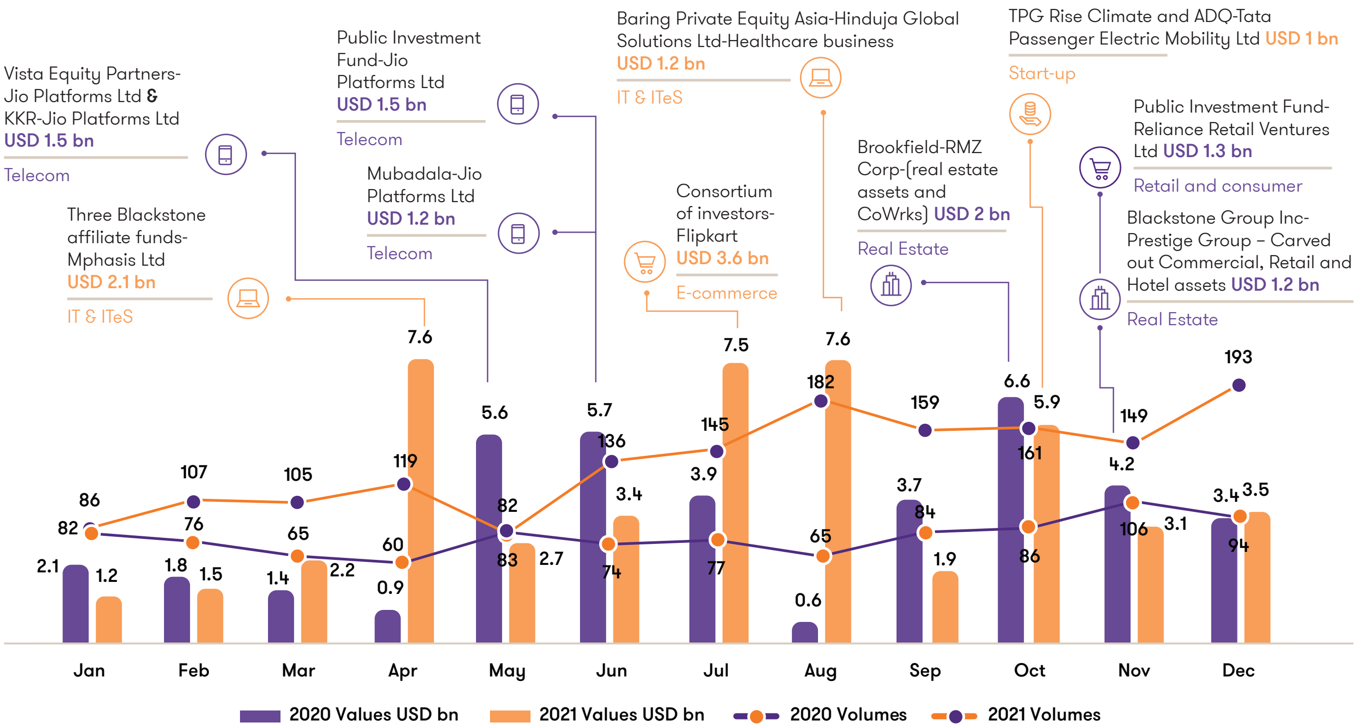
Top two sectors by volume					
69% Start-up	**61%** Start-up	**61%** Start-up	**61%** Start-up	**65%** Start-up	**66%** Start-up
5% IT & ITeS	**7%** IT & ITeS	**6%** Banking and financial services	**7%** E-commerce	**9%** E-commerce	**11%** E-commerce

Monthly trends

M&A deal trends



PE deal trends



Merger and acquisition dealscape

M&A sector trends

Top M&A deals

Grant Thornton Insights

Domestic M&A deal trends

Inbound M&A deal trends

Outbound M&A deal trends

M&A sector trends

M&A deals witnessed a 39% growth recording 499 deals valued at USD 42.9 billion, compared to 360 deals worth USD 37.5 billion recorded in 2020. The banking and financial services sector topped the M&A value chart in 2021 owing to a 22% contribution to overall M&A values on the back of Piramal Capital & Housing Finance Ltd's acquisition of Dewan Housing Finance Corporation for USD 5.1 billion and Sumitomo Mitsui Financial group's USD 2 billion acquisition of Fullerton India Credit Company.

This was followed by the IT & ITeS sector, which also witnessed two multibillion-dollar deals that pushed the sector values capturing 20% of M&A values with 16% of volumes. Energy and natural resources continue to contribute significantly to M&A deal values on the back of renewable energy deals. Other sectors, such as e-commerce, manufacturing, education and aviation, also contributed to overall deal values on the back of notable deals.

The start-up sector, on the other hand, witnessed maximum deal volumes, accounting for 24% of M&A deal volumes. Fintech and retail tech segments, within the start-up sector, garnered 42% of deal volumes. IT & ITeS continued to be the second largest contributor to the M&A deal volumes. Sectors such as E-commerce, pharma, healthcare and biotech, retail & consumer, media and entertainment and hospitality, which were adversely affected in 2020 owing to the pandemic, have made a comeback in terms of deal volume in 2021.

Start-up

78	71	122
2,584	1,097	857

IT & ITeS

82	60	78
1,665	2,300	8,511

E-commerce

20	11	53
817	1,447	2,597

Pharma, healthcare and biotech

46	32	48
2,566	1,089	1,645

Manufacturing

37	29	29
8,110	2,186	3,100

Retail and consumer

30	22	29
1,399	4,223	678

Banking and financial services

30	20	27
1,692	1,701	9,361

Education

13	14	23
383	91	2,935

Media and entertainment

21	15	23
240	80	741

Energy and natural resources

18	14	18
4,539	5,025	7,466

Hospitality and leisure

12	1	13
551	41	234

Telecom

3	8	5
35	10,819	529

Transport and logistics

9	8	5
381	2,032	1,158

Aviation

-	-	2
-	-	2,470

Top sectors based on deal volumes

Volume	2019	2020	2021
Values USD mn	2019	2020	2021

M&A top 10 deals

The surge in the M&A deal values in 2021 was largely supported by 10 deals valued at over USD 1 billion each and 42 deals valued and estimated between USD 100-999 million. These high value deals accounted for 89% of total M&A values while representing 10% of volumes.

Acquirer	Target	Sector	USD mn	Deal type	% stake
Piramal Capital & Housing Finance Ltd	Dewan Housing Finance Corporation Ltd	Banking and financial services	5,103	Acquisition	100%
Prosus N.V.-PayU	IndiaIdeas.com Ltd-BillDesk	IT & ITeS	4,700	Acquisition	100%
Adani Green Energy Ltd	SB Energy India	Energy and natural resources	3,500	Acquisition	100%
JSW Steel Ltd	Bhushan Power & Steel Ltd	Manufacturing	2,651	Acquisition	100%
Total SE	Adani Green Energy Ltd	Energy and natural resources	2,476	Minority stake	20%
Talace Pvt Ltd	Air India Ltd	Aviation	2,432	Acquisition	100%
Sumitomo Mitsui Financial Group, Inc	Fullerton India Credit Company Ltd	Banking and financial services	2,000	Majority stake	75%
Wipro Ltd	Capco	IT & ITeS	1,450	Acquisition	100%
Tata Digital Private Ltd	Supermarket Grocery Supplies Private Ltd-Innovative Retail Concepts Pvt Ltd-BigBasket.com	E-commerce	1,257	Controlling stake	64%
Think & Learn Pvt Ltd-Byju's	Aakash Educational Services Ltd	Education	1,000	Acquisition	100%

This is one of the largest acquisition in India's digital payments space.

This deal marks the largest acquisition in the renewable energy sector in India.

This deal was executed under the IBC. With the 2.5 million tonne BPSL buy, JSW Steel boosted its steelmaking capacity and regained its lost crown of the largest steel player in the country.

This is Total's biggest investment yet in renewables segment.

The transaction marks the largest merger and acquisition of a private company in Indian financial services in the last two years and the largest ever inbound control acquisition by a Japanese enterprise entering the Indian market.

This is Wipro's largest ever acquisition. The acquisition is also the second largest in recent years by an Indian IT services company.

This deal is one of the largest edtech acquisitions in the world.

Grant Thornton Insights

Sumeet Abrol
Partner, Lead Advisory
Grant Thornton Bharat

The deal landscape in 2020 witnessed the biggest disruption the modern world has ever seen and was initially driven by pricing dislocations. The center stage, in 2021, shifted substantially to growth-driven transactions across sectors with digital being the flag bearer of deal activity – symbolic of the transforming deal landscape in India. The fundamental shift, triggered by value picking and precipitated by COVID-19 in 2020, moved substantially to a far more aggressive style of deal making, which saw new-age digital businesses acquiring for capabilities, adjacencies, geographies and channels and using M&A as a tool for aggressive growth rather than to simply take out competitors or enhance scale. PayU's USD 4.7 billion acquisition of BillDesk, Tata Digital's USD 1.3 billion acquisition of Bigbasket, BYJU's USD 1 billion acquisition of Aakash Education and Pharmeasy's USD 622 million acquisition of Thyrocare are notable examples of this emerging trend of 2021. This trend is likely to accelerate in the coming years with private equity and sovereign funds continuing to back large-scale buyouts as businesses acquire for capabilities.

In terms of sectoral activity for M&A deals, BFSI saw record values with USD 9.4 billion, catapulting from an average of USD 1.7 billion for the previous two years, led by notable deals, such as Piramal Capital's USD 5.1 billion acquisition of Dewan Housing & Finance Ltd, Sumitomo Mitsui's USD 2 billion acquisition of Fullerton India Ltd and HDFC Life's USD 903 million acquisition of Exide Life Insurance. Deal values in the IT & ITeS space jumped to USD 8.5 billion from an average of USD 1.9 billion for the previous two years with some of the notable deals being Wipro's USD 1.45 billion acquisition of Capco and Modern Times' USD 360 million in the gaming space through the buyout of PlaySimple Games.

Education was also a highly-activated space for M&A deals with transformational outbound acquisitions by new-age digital education platforms in India with BYJU's USD 500 million buyout of Epic Creations and USD 200 million buyout of Tynker, and Eruditus' USD 200 million acquisition of iDTech.

Renewable energy and natural resources recorded M&A transactions worth USD 7.5 billion with Adani Green Energy driving big ticket deals – USD 3.5 billion buyout of SB Energy and also diluting 20% equity for USD 2.5 billion to Total SE. Global Power Synergy's USD 454 million stake purchase in Avaada Energy and Renew Power's USD 253 million acquisition of solar projects in Telangana were the other notable deals in this space.

The highly-activated deal market will continue to ride the momentum set by transformational deals where corporates continue to leverage M&A as a tool for aggressive growth. Furthermore, the increasing risk appetite of new-age businesses pushes them to acquire capabilities and new markets. Apart from digital, sectors intersecting with environmental, social and governance (ESG) themes are also expected to see accelerated deal activity in the coming year. Renewables, healthcare and tech-disrupted manufacturing are the other themes to watch out for in the coming year.

M&A deal summary	Volume			Value (USD mn)		
Year	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Domestic	266	215	379	17,733	16,306	23,594
Inbound	95	68	57	7,905	18,291	11,324
Outbound	82	77	63	1,995	2,948	8,011
Grand total	**443**	**360**	**499**	**27,633**	**37,545**	**42,929**

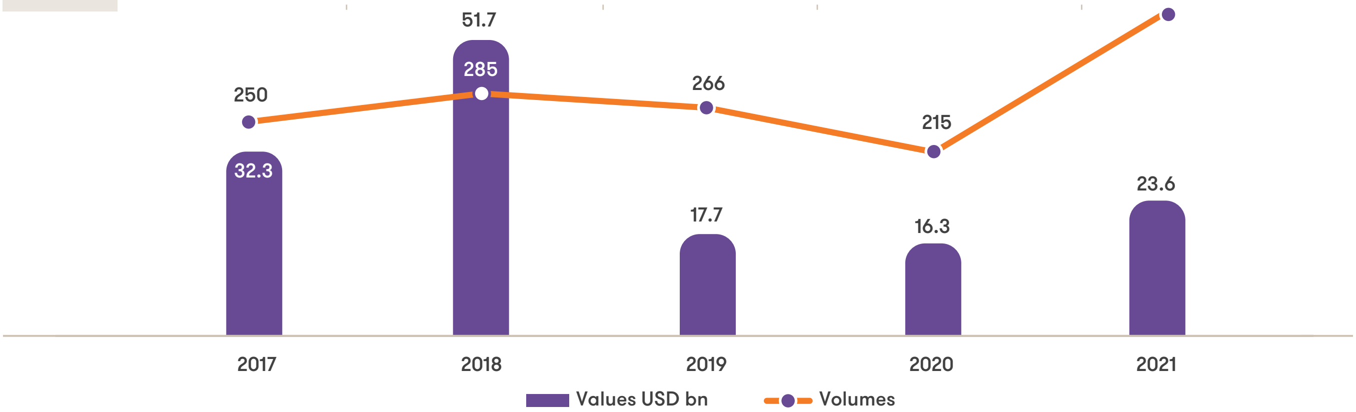
Domestic M&A deal trends

2021 witnessed the highest number of domestic deals recording 379 deals valued at USD 23.6 billion, the third highest annual values. While increased deals in the start-up sector pushed the deal volumes, five deals valued at and over USD billion-dollar equaling USD 12.4 billion drove domestic deal values.

The year witnessed some marquee transactions with (1) BYJU's acquisition of Akash Educational services (largest ed-tech acquisition in the world), (2) Piramal Group's acquisition of Dewan Housing Finance Corporation Ltd and (3) deals under IBC (JSW Steel Ltd-Bhushan Power & Steel; Haldia Petrochemicals-Nagarjuna Oil Corporation Ltd; GMM Pfaudler Ltd-HDO Technologies Ltd, among others.)

While, 2020 witnessed a pause in deal activity owing to the nation-wide lockdown, 2021 witnessed corporates to be better prepared to execute deals.

	2017	2018	2019	2020	2021
Top deals > USD 5 bn	**USD 23 bn** Idea-Vodafone	**USD 14.6 bn** Bharti Infratel-Indus Towers **USD 5.8 bn** ONGC-Hindustan Petroleum Corporation **USD 5.5 bn** Tata Steel-Bhushan Steel	**USD 7.2 bn** ArcelorMittal-Essar Steel	**USD 3.3 bn** Reliance Retail-Future Group	**USD 5.1 bn** Piramal Capital & Housing Finance Ltd-Dewan Housing Finance Corporation
No. of deals valued > USD 100 mn	18	30	24	24	30



Top two sectors by value

	2017	2018	2019	2020	2021
1	74% Telecom	36% Telecom	43% Manufacturing	25% Retail and consumer	30% Banking and financial services
2	9% Banking and financial services	23% Energy and natural resources	17% Energy and natural resources	12% Energy and natural resource	13% Manufacturing

Top two sectors by volume

	2017	2018	2019	2020	2021
1	32% Start-up	33% Start-up	24% Start-up	29% Start-up	30% Start-up
2	12% IT & ITeS	8% Banking and financial services	14% IT & ITeS	8% Pharma, healthcare & biotech	12% E-commerce

Sector movement compared to 2020

Sector	Volumes	Values USD mn
Start-up	62 | 114	1,064 | 773
E-commerce	9 | 47	242 | 2,417
Pharma, healthcare and biotech	18 | 38	648 | 1,419
IT & ITeS	17 | 32	172 | 401
Retail and consumer	14 | 25	4,003 | 633
Banking and financial services	17 | 23	1,561 | 7,190
Manufacturing	17 | 23	1,837 | 2,967
Education	13 | 16	86 | 1,909
Media and entertainment	9 | 13	35 | 587
Energy and natural resources	9 | 12	1,961 | 1,023
Hospitality and leisure	1 | 11	41 | 120
Real estate	4 | 4	1,557 | 325
Transport and logistics	4 | 4	1,786 | 1,150
Automotive	7 | 2	162 | 15

2020 | 2021

Top five domestic deals

1 Banking and financial services
USD 5,103 mn
Piramal Capital & Housing Finance Ltd-Dewan Housing Finance Corporation Ltd

2 Manufacturing
USD 2,651 mn
JSW Steel Ltd-Bhushan Power & Steel Ltd

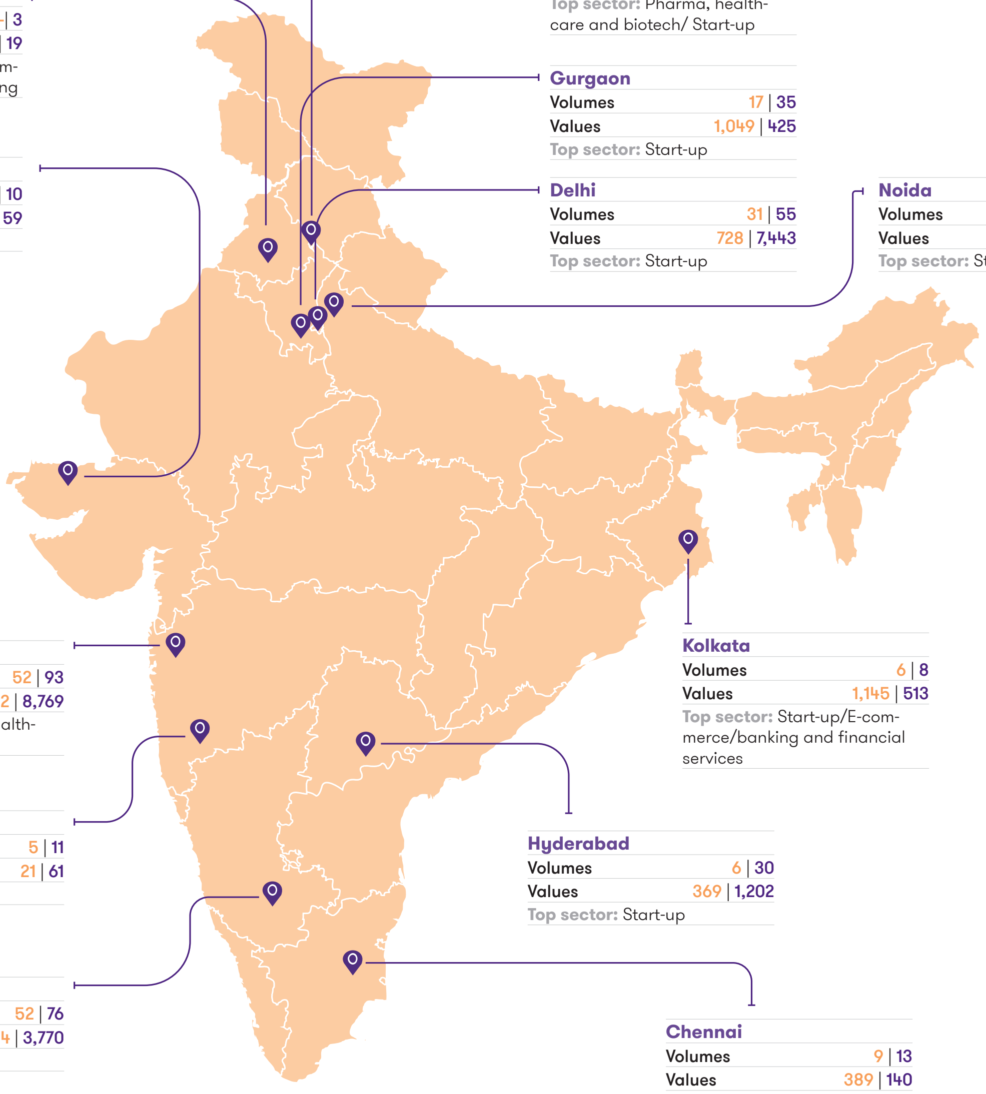
3 Aviation
USD 2,432 mn
Talace Pvt Ltd-Air India Ltd

4 E-commerce
USD 1,257 mn
Tata Digital Pvt Ltd-Supermarket Grocery Supplies Private Ltd-Innovative Retail Concepts Pvt Ltd-Bigbasket.com

5 Education
USD 1,000 mn
Think & Learn Pvt Ltd-BYJU's-Aakash Educational Services Ltd

Cities in focus

Metro cities attracted the majority of domestic deal activity. While Mumbai remained active executing deals in the pharma sector, start-up sector remained the focus in other tier-1 cities. The preference for these cities reflects the potential of budding companies and the experience of the corporate giants, supported by the ecosystem and general infrastructure built over years in these cities.



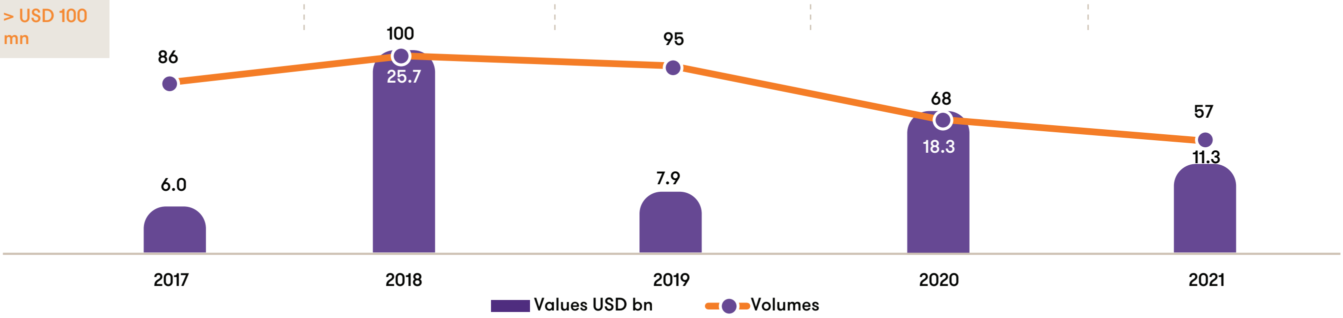
Inbound M&A deal trend

2021 inbound deal activity witnessed a decline of 16% in deal volumes compared to 2020, at 57 deals marking the lowest volumes since 2011. Deal values also witnessed 38% drop valued at USD 11.3 billion, owing to Facebook and Google's combined investment of USD 10.1 billion in Jio Platforms in 2020. Barring this deal, deal values saw 39% increase driven by three multibillion-dollar deals totaling USD 9.2 billion.

Sectors like IT & ITeS (IT solutions), start-up (enterprise application and infrastructure), media and entertainment (Esports, digital library and marketing segments), and energy and natural resources (cleantech segment) attracted overseas acquirer's attention witnessing increased deal activity, contributing to 61% of the total inbound deal volumes, while IT, banking and energy sectors attracted large-ticket transactions.

In line with 2020, this year also saw the USA being the largest contributor to inbound volumes with 27 deals valued at USD 451 million. However, the Netherlands led the inbound deal values driven by PayU's USD 4.7 billion acquisition of BillDesk also making one of the largest acquisitions in India's digital payments space.

	2017	2018	2019	2020	2021
Top deals >= 1 bn	**USD 0.7 bn** Tencent-Flipkart	**USD 16 bn** Walmart – Flipkart **USD 2.1 bn** Schneider Electric-Larsen & Toubro Ltd **USD 1 bn** Teleperformance-Intelenet Global Services	**USD 2 bn** RA Hospitality Holdings-Cayman – OyoRooms	**USD 5.7 bn** Facebook Inc-Jio Platforms **USD 4.4 bn** Google-Jio Platforms **USD 1.4 bn** Groupe Aeroports de Paris-GMR Airport **USD 1.2 bn** Walmart-Flipkart **USD 1 bn** BP-Reliance BP Mobility	**USD 4.7 bn** PayU-Billdesk **USD 2.5 bn** Total SE-Adani Green Energy **USD 2 bn** Sumitomo Mitsui-Fullerton India Credit Company
No. of deals est & valued > USD 100 mn	19	23	19	18	9



Top two sectors by value

2017	2018	2019	2020	2021
29% E-commerce	65% E-commerce	29% Start-up	56% Telecom	49% IT & ITeS
20% Telecom	11% Manufacturing	17% Energy & natural resources	12% infrastructure management	26% Energy & natural resources

Top two sectors by volume

2017	2018	2019	2020	2021
17% IT & ITeS	20% IT & ITeS	18% IT & ITeS	16% IT & ITeS	30% IT & ITeS
15% Start-up	19% Start-up	15% Start-up	15% Manufacturing	14% Start-up

Inbound interest-continent wise

North America

	2019	2020	2021
Volume	32	16	27
Value USD mn	1,571	12,716	451

Europe

	2019	2020	2021
Volume	22	26	14
Value USD mn	3,405	3,673	8,060

Asia

	2019	2020	2021
Volume	38	24	15
Value USD mn	2,538	1,895	2,763

Africa

	2019	2020	2021
Volume	1	-	-
Value USD mn	106	-	-

Australia/ Oceania

	2019	2020	2021
Volume	2	2	1
Value USD mn	285	6	50

Year
Volume
Value USD mn

Sector movement compared to 2020

IT & ITeS
Volumes 11 | 17
Values USD mn 1,221 | 5,519

Start-up
Volumes 9 | 8
Values USD mn 34 | 84

Energy and natural resources
Volumes 2 | 5
Values USD mn 1,510 | 2,943

Media and entertainment
Volumes 1 | 5
Values USD mn 5 | 42

Pharma, healthcare and biotech
Volumes 5 | 5
Values USD mn 315 | 175

E-commerce
Volumes 2 | 4
Values USD mn 1,205 | 160

Retail and consumer
Volumes 6 | 3
Values USD mn 200 | 40

Manufacturing
Volumes 10 | 3
Values USD mn 316 | 91

Banking and financial services
Volumes 3 | 3
Values USD mn 140 | 2,166

Education
Volumes | 1
Values USD mn | 5

Infrastructure management
Volumes 4 | 1
Values USD mn 2,110 | 85

Telecom
Volumes 3 | 1
Values USD mn 10,184 | 5

Automotive
Volumes 4 |
Values USD mn 421 |

2020 | 2021

Top five inbound deals

1 IT & ITeS
USD 4,700 mn
Prosus N.V.-PayU-Indialdeas.com Ltd-BillDesk

2 Energy and natural resources
USD 2,476 mn
Total SE-Adani Green Energy Ltd

3 Banking and financial services
USD 2,000 mn
Sumitomo Mitsui Financial Group, Inc-Fullerton India Credit Company Ltd

4 Energy and natural resources
USD 453 mn
Global Power Synergy Public Company Ltd-Avaada Energy Pvt Ltd

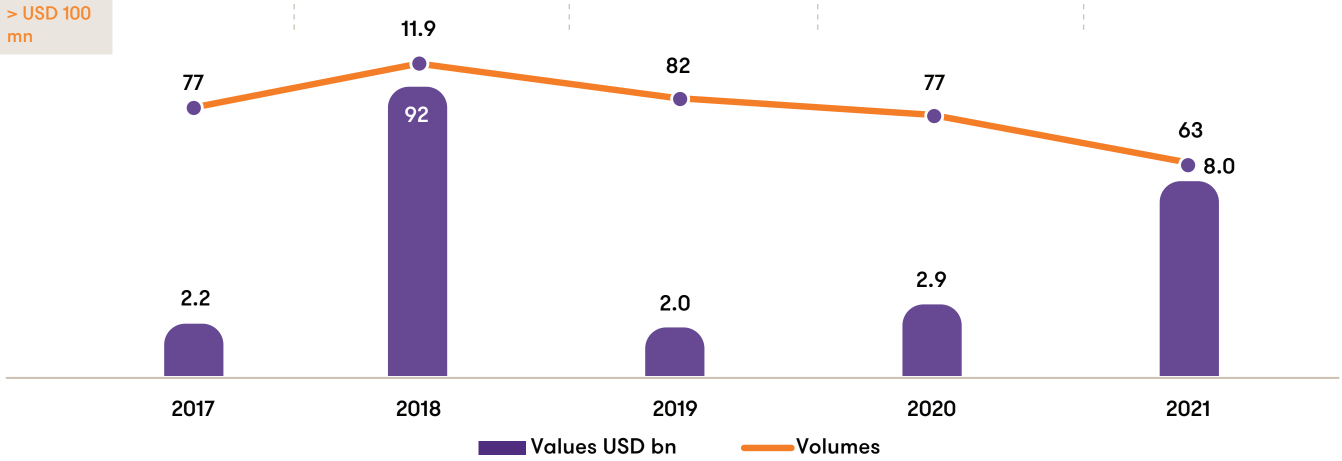
5 IT & ITeS
USD 360 mn
Modern Times Group-PlaySimple Games Pvt Ltd

Outbound M&A deal trend

2021 saw a y-o-y dip in terms of deal volumes as it recorded 63 deals valued at USD 8 billion, the lowest in terms of deal volumes. However, deal values were high on the back of Adani Energy's USD 3.5 billion acquisition of SB Energy; and tech companies, such as Infosys, HCL Technologies, Wipro, Tech Mahindra, TVS Motors and Mphasis, among others, executing big-ticket deals on the back of digital accelerations across geographies.

Outbound deals were spread over 18 geographies/countries, of which 28 transactions, aggregating to USD 2 billion, were executed in the USA, primarily in the IT & ITeS sector (55% of outbound volumes).

Top deal >=USD 500 mn	**USD 0.7 bn** Fortis Healthcare-RHT Health Trust	**USD 4.2 bn** UPL Ltd-Arysta Lifescience **USD 2.6 bn** Hindalco-Aleris Corporation **USD 1.8 bn** HCL-IBM	**USD 0.4 bn** OyoRooms-@ Leisure Group	**USD 1.5 bn** Haldia Petrochemicals-Lummus Technology	**USD 3.5 bn** Adani Green Energy-SB Energy India **USD 1.5 bn** Wipro-Capco **USD 0.5 bn** Bharti Enterprises-Oneweb **USD 0.5 bn** BYJU's-Epic! Creations
No. of deals est & valued > USD 100 mn	5	10	5	4	10



Top two sectors by value				
64% Pharma, healthcare & biotech	**35%** Agriculture & forestry	**30%** IT & ITeS	**53%** Energy & natural resources	**44%** Energy & natural resources
18% IT & ITeS	**28%** Manufacturing	**21%** Hospitality and leisure	**31%** IT & ITeS	**32%** IT & ITeS

Top two sectors by volume				
33% IT & ITeS	**35%** IT & ITeS	**35%** IT & ITeS	**42%** IT & ITeS	**46%** IT & ITeS
24% Pharma, healthcare & biotech	**17%** Pharma, healthcare & biotech	**19%** Pharma, healthcare & biotech	**17%** Automotive	**10%** Education

Outbound interest-continent wise

North America

2019	2020	2021
31	32	28
688	2,375	2,009

Europe

2019	2020	2021
29	24	22
1,111	259	2,364

Asia

2019	2020	2021
16	12	8
176	101	3,601

South America

2019	2020	2021
	1	1
	22	9

Africa

2019	2020	2021
3	2	
10	14	

Australia/ Oceania

2019	2020	2021
3	6	4
10	177	29

Year
Volume
Value USD mn

Sector movement compared to 2020

Sector	Volumes	Values USD mn
IT & ITeS	32 | 29	907 | 2,591
Education	1 | 6	5 | 1,021
Media and entertainment	6 | 5	40 | 112
Pharma, healthcare and biotech	9 | 5	126 | 50
Automotive	13 | 3	64 | 30
Manufacturing	2 | 3	32 | 42
E-commerce	| 2	| 20
Hospitality and leisure	| 2	| 114
Energy and natural resources	3 | 1	1,554 | 3,500
Telecom	4 | 1	40 | 500

2020 | 2021

Top five domestic deals

1. **Energy and natural resources**
   USD 3,500 mn
   Adani Green Energy Ltd-SB Energy India

2. **IT & ITeS**
   USD 1,450 mn
   Wipro Ltd-Capco

3. **Telecom**
   USD 500 mn
   Bharti Enterprises Ltd-Oneweb Ltd

4. **Education**
   USD 500 mn
   Think & Learn Pvt Ltd-Byju's-Epic! Creations, Inc

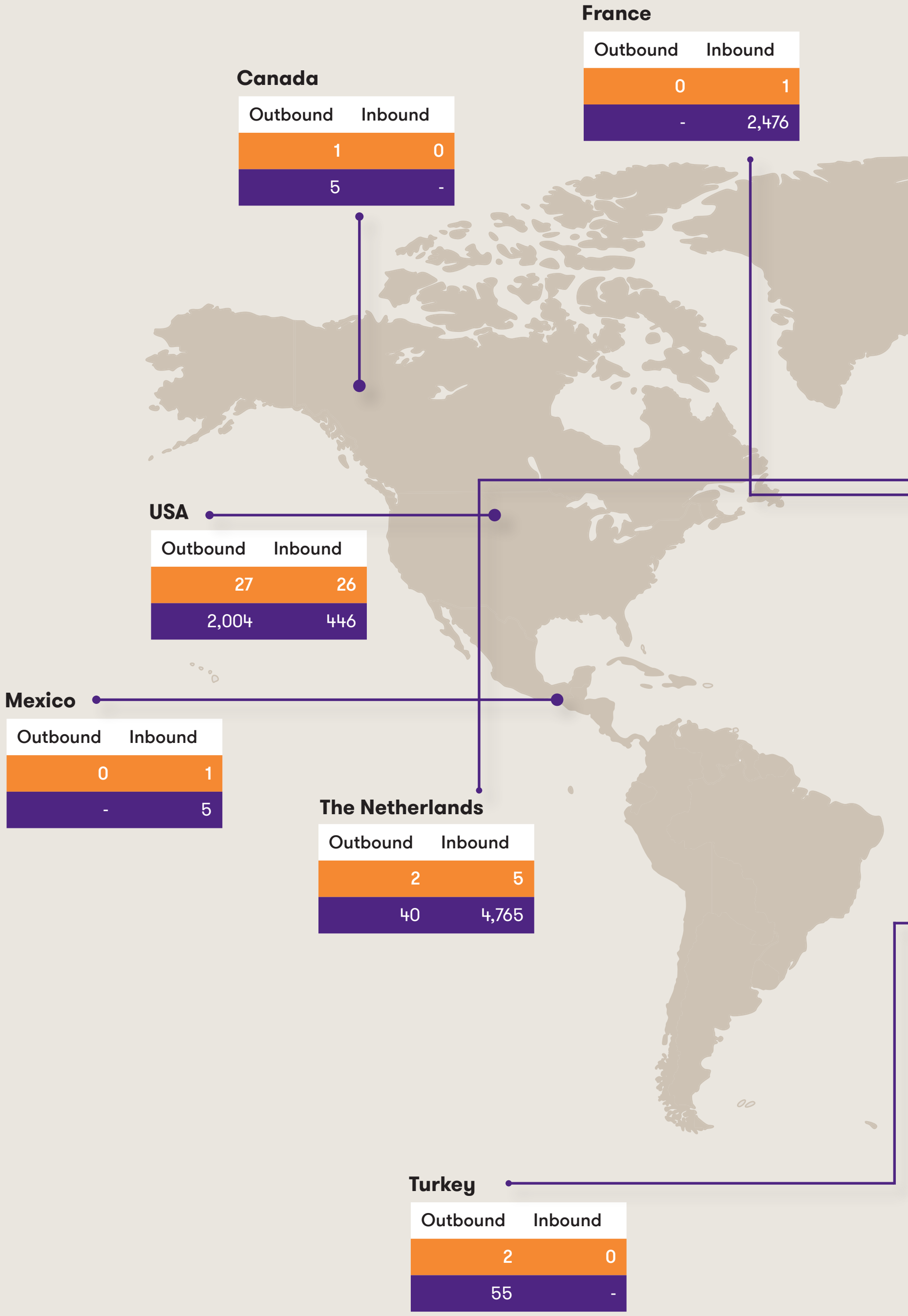
5. **IT & ITeS**
   USD 400 mn
   Polygon technology-Mir Protocol

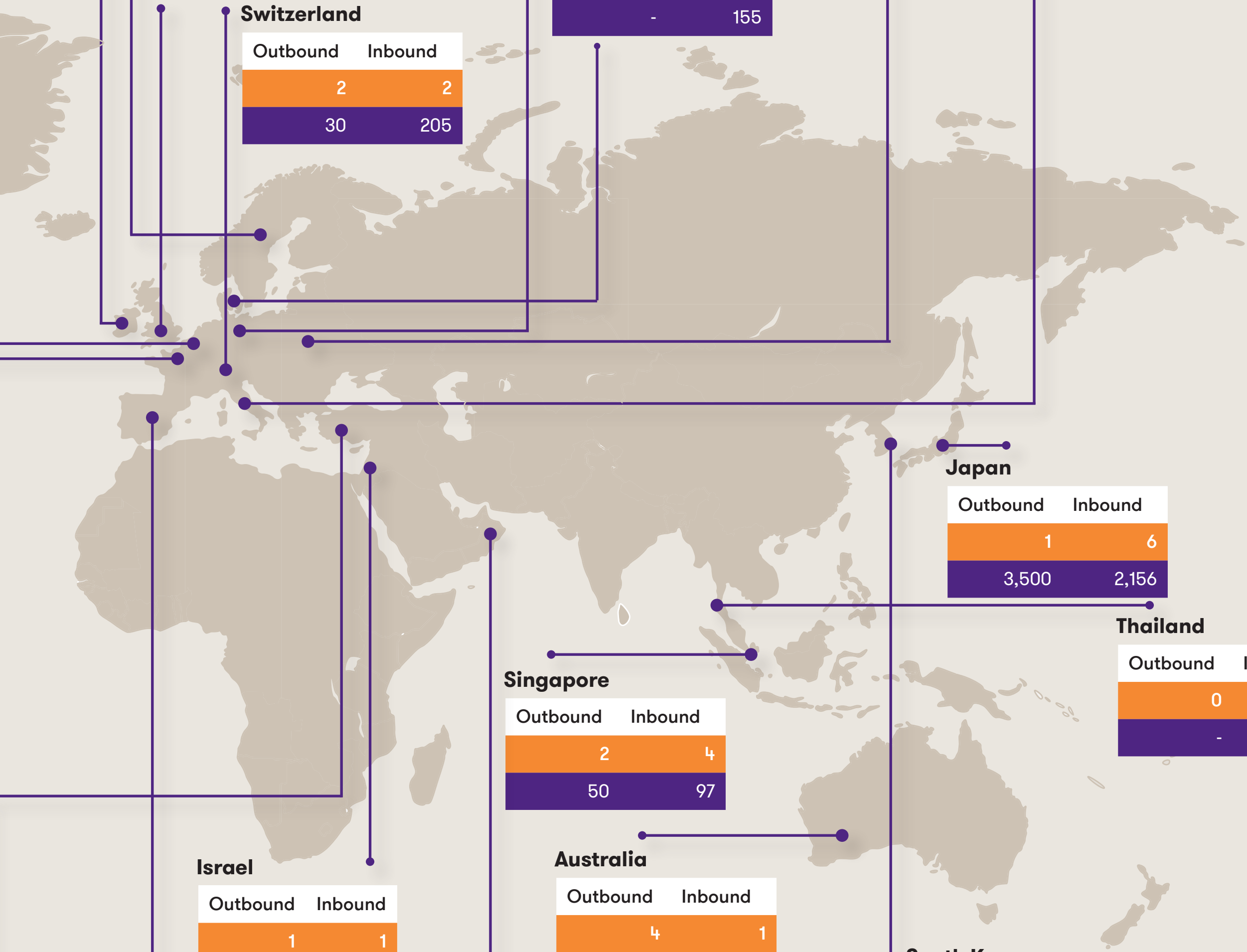
Geographic track of cross-border deals in 2021

With a view to expand operations, withstand competition, grow consumer base and to leverage the advantages of the host countries' laws and policies amidst the pandemic, 2021 witnessed 120 deals worth USD 19.3 billion. These cross-border deals in India were low due to global uncertainties. However, the deal values were driven by marquee deals, such as PayU's inbound acquisition of Billdesk for USD 4.7 billion, followed by Adani Energy's Outbound acquisition of SB Energy, jointly-owned by SoftBank Group Corp. and Bharti Enterprises for USD 3.5 billion.

The year, in total, recorded five multi-billion-dollar deals, 16 deals valued at and above USD 100 million, together totaling USD 17.8 billion, as compared to six and 16 deals, respectively, recorded in 2020.

Cross-border transactions between India and the USA dominated in both the inbound and outbound segments, together totaling 44% of cross-border transaction, aggregating to USD 2.5 billion, followed by Japan and the UK that dominated the inbound and outbound volumes, respectively.





Ireland

Outbound	Inbound
1	0
25	-

Sweden

Outbound	Inbound
0	2
-	450

UK

Outbound	Inbound
9	1
2,063	5

Switzerland

Outbound	Inbound
2	2
30	205

Germany

Outbound	Inbound
3	0
59	-

Denmark

Outbound	Inbound
0	2
-	155

Austria

Outbound	Inbound
1	0
100	-

Italy

Outbound	Inbound
1	0
2	-

Japan

Outbound	Inbound
1	6
3,500	2,156

Thailand

Outbound	Inbound
0	1
-	453

Singapore

Outbound	Inbound
2	4
50	97

Australia

Outbound	Inbound
4	1
29	50

Israel

Outbound	Inbound
1	1
5	5

South Korea

Outbound	Inbound
0	1
-	22

UAE

Outbound	Inbound
2	2
18	30

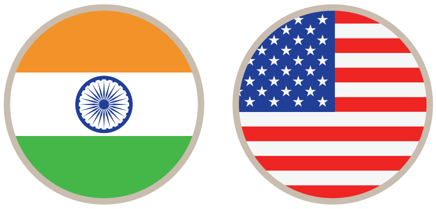
Spain

Outbound	Inbound
2	0
10	-

Volume

Value USD mn

Corridors



India-USA deal trends

Inbound

Year	Volumes	Values USD mn
2017	31	2,696
2018	44	18,913
2019	32	1,571
2020	16	12,716
2021	27	451

Outbound

Year	Volumes	Values USD mn
2017	29	631
2018	45	10,266
2019	31	688
2020	32	2,393
2021	28	2,009

Top sector attraction by volumes-2021

Inbound

Sectors	Volumes	%
IT & ITeS	9	33%
Start-up	6	22%
E-commerce	3	11%
Media and entertainment	3	11%
Retail and consumer	2	7%
Banking and financial services	1	4%
Energy and natural resources	1	4%
Manufacturing	1	4%
Pharma, healthcare and biotech	1	4%

Outbound

Sectors	Volumes	%
IT & ITeS	16	57%
Education	4	14%
Pharma, healthcare and biotech	3	11%
Aerospace and defense	1	4%
Banking and financial services	1	4%
E-commerce	1	4%
Media and entertainment	1	4%
Professional / Business services	1	4%

Top deals

Education	Think & Learn Pvt Ltd-Byju's	Epic! Creations, Inc	USD 500 mn
IT & ITeS	Polygon technology	Mir Protocol	USD 400 mn
Education	Eruditus Executive Education	internalDrive, Inc-iD Tech	USD 200 mn
Education	Think & Learn Pvt Ltd-Byju's	Neuron Fuel Inc-Tynker	USD 200 mn
IT & ITeS	Iron Mountain Inc	Web Werks India Pvt Ltd	USD 150 mn

Outbound Inbound Acquirer Target

Grant Thornton Insights

Siddhartha Nigam
National Managing Partner,
Growth and Clients & Markets
Grant Thornton Bharat

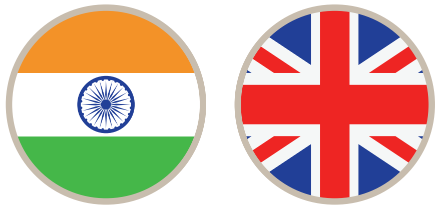
2021 has been one of the best years for M&A globally, aided by the low interest rate environment and excess cash reserves. Investment activity in the India-USA corridor remained robust as well, with M&A between India and USA touching USD 2.5 billion. While overall deal values have dipped from 2020 – owing to an absence of mega deals such as Facebook's and Google's investment in Jio Platforms – inbound deal volume grew by almost 70%, with the tech sector accounting for majority of investments.

Indian IT & ITeS and edtech players have been at the centre of India-USA deal activity during 2021, with Indian IT companies both receiving and making the majority of cross-border investments. Indian startups also made headlines on the M&A front, with edtech giants BYJU's and UpGrad acquiring USA-based companies.

India's favourable demographics, policy incentives and growth story make it a promising investment destination, amidst continuing geopolitical tensions and global firms' focus on diversifying supply chains beyond China. The USA is our biggest investor base – in terms of corporates, capital markets, as well as VC and PE funds – as well as the deepest market in terms of tech investments and we will see this building out further in the months to come.

The USA also remains one of the foremost investment destinations for cash-rich Indian businesses, that are focused on scaling operations in international markets and entering new lines of business. Furthermore, growing interest in SPACs and overseas listings among Indian companies is expected to boost cross-border investment activity between the two countries. We expect to continue seeing traction in deals in the USA-India corridor in 2022, mostly driven by tech-enabled businesses.

Corridors



India-UK deal trends

Inbound

Year	Volumes	Values USD mn
2017	6	423
2018	2	10
2019	3	2,010
2020	7	1,187
2021	1	5

Outbound

Year	Volumes	Values USD mn
2017	5	34
2018	4	177
2019	9	337
2020	7	85
2021	9	2,063

Top sector attraction by volumes-2021

Inbound

Sectors	Volumes	%
IT & ITeS	1	100%

Outbound

Sectors	Volumes	%
IT & ITeS	4	45%
Hospitality and leisure	1	11%
Manufacturing	1	11%
Media and entertainment	1	11%
Pharma, healthcare and biotech	1	11%
Telecom	1	11%

Top deals

Sector	Acquirer	Target	Value
IT & ITeS	Wipro Ltd	Capco	USD 1,450 mn
Telecom	Bharti Enterprises Ltd-Bharti Global	Oneweb Ltd	USD 500 mn
Hospitality and leisure	Reliance Industries Ltd	Stoke Park Ltd	USD 79 mn
IT & ITeS	Tech Mahindra Ltd	We Make Websites Ltd-WMW	USD 13 mn
IT & ITeS	Hindustan Media Ventures Ltd	Wurkr	USD 1 mn

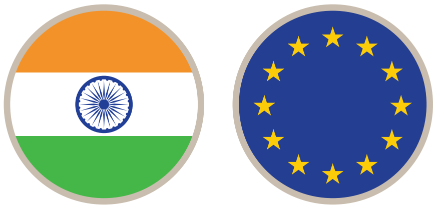
Outbound Acquirer Target

Grant Thornton Insights

Ashish Chhawchharia
Partner & National Head-
Restructuring Services
Grant Thornton Bharat

The UK economy is recovering and is expected to reach pre-crisis levels. It is expected that business investments will improve but will continue to have dampened sentiments due to challenges of rising inflation on the back of higher energy and commodity prices and continuing supply shortages. Continuing with the trend of last year, deal activity in the India-UK corridor remains high with both inbound and outbound investments in technology, telecom, manufacturing, hospitality and leisure, along with media and pharma sectors dominating the scorecards. Marquee names, such as Wipro, Reliance; Bharti and Cairn figure on the deal listing alongside established startups, such as OYO, are emerging from the COVID-19 crisis. Driven by liquidity and China+1 strategy, deal activity in this corridor is likely to remain buoyant.

Corridors



India-Europe deal trends

Inbound

Year	Volumes	Values USD mn
2017	16	491
2018	16	3,612
2019	19	1,395
2020	19	2,487
2021	12	8,050

Outbound

Year	Volumes	Values USD mn
2017	12	444
2018	21	634
2019	20	775
2020	17	174
2021	13	301

Top sector attraction by volumes-2021

Inbound

Sectors	Volumes	%
IT & ITeS	4	33%
Energy and natural resources	2	17%
Pharma, healthcare and biotech	2	17%
Banking and financial services	1	8%
Education	1	8%
Manufacturing	1	8%
Start-up	1	8%

Outbound

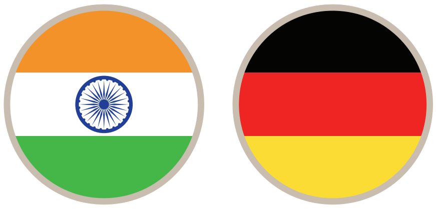
Sectors	Volumes	%
IT & ITeS	5	38%
Automotive	2	15%
Manufacturing	2	15%
Education	1	8%
Hospitality and leisure	1	8%
Media and entertainment	1	8%
Retail and consumer	1	8%

Top deals

Sector	Acquirer	Target	Value
IT & ITeS	Prosus N.V.-PayU	IndiaIdeas.com Ltd-BillDesk	USD 4,700 mn
Energy and natural resources	Total SE	Adani Green Energy Ltd	USD 2,476 mn
IT & ITeS	Modern Times Group	PlaySimple Games Pvt Ltd	USD 360 mn
Pharma, healthcare and biotech	Novozymes A/S	Synergia Life Sciences Pvt Ltd	USD 150 mn
Banking and financial services	Swiss Reinsurance Company Ltd	Paytm Insuretech Private Ltd	USD 124 mn

Disclaimer: Data includes all the countries of European continent except UK.

Inbound Acquirer Target



India- Germany deal trends

Inbound

Year	Volumes	Values USD mn
2017	1	5
2018	5	89
2019	1	5
2020	3	230
2021	-	-

Outbound

Year	Volumes	Values USD mn
2017	1	9
2018	7	158
2019	6	87
2020	3	11
2021	3	59

Grant Thornton Insights

Saket Mehra
Partner and National Sector Leader, Automotive and Manufacturing
Grant Thornton Bharat

The India-Europe inbound and outbound deal activity has seen a rise of +224% y-o-y (USD 8.1 billion) and +73% y-o-y (USD 0.31 billion) in value in 2021, respectively. Deals are majorly driven in sectors, such as infrastructure management, energy and natural resources, cloud adoption, data security and other areas of IT & ITeS in inbound, and heath and leisure and business services in outbound.

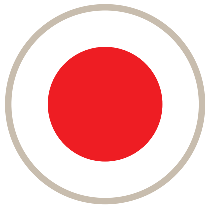
Germany is amongst India's important partners bilaterally and in the global context. The announced new development commitments of Euro 1.2 billion is a strong move of cooperation on clean energy with which India's 'net zero by 2070' promise looks realistic. Further, the strategic partnership between the two nations has strengthened with the fifth Inter-Governmental Consultations (IGC) held in 2019, which acted as a key driver with signing of 21 MoUs in diverse areas of engagement such as artificial intelligence, space, smart cities, urban green mobility.

After the setback observed in 2020, the economies of both Germany and India are expected to observe a strong recovery as GDP growth rates for 2021 have been pegged at 3.7% and 9.5%, respectively. Thus, in addition to acquisitions and joint ventures, companies in both countries also look to contract research and manufacturing arrangements in the near future.

Collaborations and investments are also expected to increase in the transition to hybrid and electric vehicles along with technological enhancements, specifically in lightweight materials. Overall, the deals in artificial intelligence and automation are further expected to rise. Moreover, with an ambitious and comprehensive set of negotiations, the two nations talk about signing a free trade agreement to deepen economic ties and cooperation.

So, with India's vision of becoming a self-reliant economy and establishing itself as a global manufacturing hub, a sizeable boost to investments in the automotive and manufacturing sector may also be foreseen with conducive policy frameworks and the implementation of IGC by both economies to attract greater cross-border collaborations.

Corridors



India- Japan deal trends

Inbound

Year	Volumes	Values USD mn
2017	10	455
2018	6	221
2019	12	1,427
2020	10	396
2021	6	2,156

Outbound

Year	Volumes	Values USD mn
2017	-	-
2018	2	159
2019	2	38
2020	-	-
2021	1	3,500

Top sector attraction by volumes-2021

Inbound

Sectors	Volumes	%
Banking and financial services	1	17%
Energy and natural resources	1	17%
IT & ITeS	1	17%
Manufacturing	1	17%
Retail and consumer	1	17%
Transport and logistics	1	17%

Outbound

Sectors	Volumes	%
Energy and natural resources	1	100%

Top deals

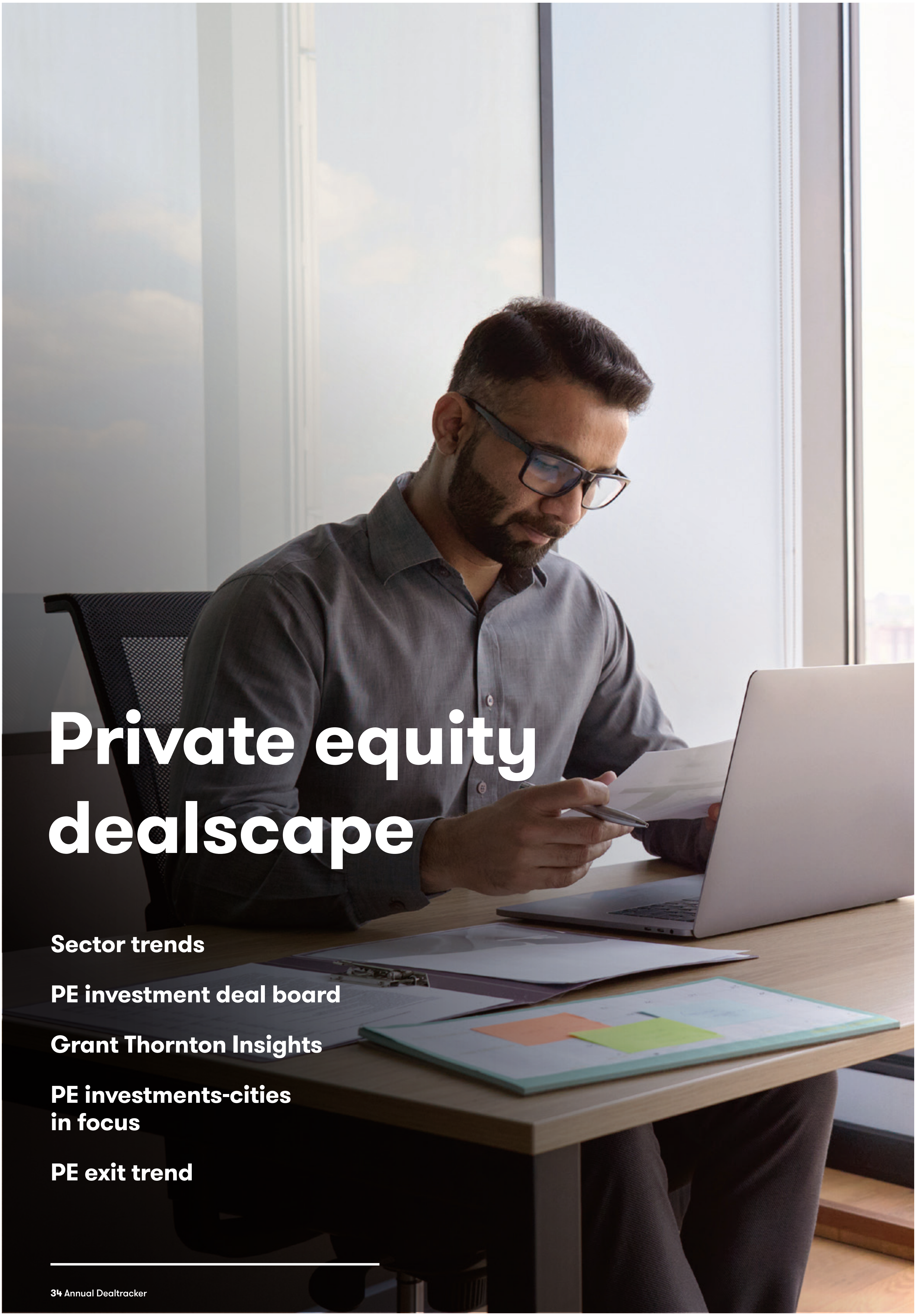
Energy and natural resources	Adani Green Energy Ltd	SB Energy India	USD 3,500 mn
Banking and financial services	Sumitomo Mitsui Financial Group, Inc	Fullerton India Credit Company Ltd	USD 2,000 mn
IT & ITeS	TechnoPro Holdings, Inc	Robosoft Technologies Private Ltd	USD 108 mn
Retail and consumer	Kirin Holdings Company	B9 Beverages Pvt Ltd-Bira 91	USD 30 mn
Transport and logistics	Mitsui & Co Ltd	TCI Cold Chain Solutions Ltd	USD 8 mn

Outbound Inbound Acquirer Target

Grant Thornton Insights

Pankaj Chopda
Executive Director, Growth
Grant Thornton Bharat

The India–Japan corridor witnessed declining trend in the volume of transactions from 14 and 10 in 2019 and 2020 to 7 in 2021. However, 2021 witnessed two large transactions, one each in banking and financial services (USD 2 billion and energy and natural resources (USD 3.5 billion), which makes it the year with highest value of transactions (USD 5.6 billion) in the last three years. Historically, automotive, start-up and manufacturing sectors attracted maximum number of transactions. However, 2021 recorded one transaction each across seven sectors. Japanese corporations are working on reducing their dependency on China and we expect this to be a key factor driving deal traction in this corridor.



Private equity dealscape

Sector trends

PE investment deal board

Grant Thornton Insights

PE investments-cities in focus

PE exit trend

PE sector trends

2021 saw 1,624 PE investment rounds, valued at USD 48.2 billion. PE investments in 2021 were driven by tech-savvy sectors including start-up, IT & ITeS and e-commerce, both in terms of deal volumes and deal values during the year. These sectors were the most-preferred by the strategic and financial investors constituting for 81% of PE volumes and with a fund inflow of over 67%, amounting to USD 32.2 billion. They were dominated by investments in the fintech space, followed by retail-tech, ed-tech, enterprise applications and infrastructure, IT solutions, health-tech, travel, transport and logistics segments.

Domestic corporates and wealthy individuals, along with overseas and domestic investors, came on board to fund the homegrown firms, which also resulted in the year witnessing the birth of 33 unicorns. The year also witnessed some of the marquee transactions in the warehousing (transport and logistics), FMCG (retail and consumer) and online education segments. Telecom, media, media and entertainment, banking and pharma sectors witnessed high-value investments during the year. Hospitality and leisure, media and entertainment and real estate sector that saw muted deal activity in 2020 owing to pandemic, witnessed increased activity in 2021 on back of economic recovery resulting in nearing normalcy.

Start-up

498	615	1,072
5,204	4,702	10,901

E-commerce

55	87	177
3,504	3,095	15,286

IT & ITeS

48	39	64
1,611	1,230	6,033

Retail and consumer

28	34	55
354	6,533	1,364

Education

17	25	50
615	1,185	3,515

Pharma, healthcare and biotech

32	31	40
1,443	2,354	2,056

Banking and financial services

40	27	30
3,336	1,396	1,829

Media and entertainment

18	9	22
835	404	2,001

Hospitality and leisure

10	9	18
709	48	211

Energy and natural resources

11	15	16
3,939	1,540	1,071

Manufacturing

7	10	15
538	2,541	421

Real estate

20	7	11
2,401	3,507	471

Transport and logistics

4	8	10
131	414	996

Aerospace and defense

-	1	9
-	3	33

Top sectors based on deal volumes

Volume	2019	2020	2021
Values USD mn	2019	2020	2021

PE top 10 deals

Top 10 deals in 2021 accounted for 26% investment values. The year recorded four deals in the billion-dollar category and 108 deals valued between USD 100 million and USD 999 million together, accounting for 73% of total PE deal values with only 7% of deal volumes.

Investor	Investee	Sector	% stake	Investment value in USD mn
GIC, the Canada Pension Plan Investment Board, SoftBank Vision Fund 2, Walmart, Qatar Investment Authority, Khazanah Nasional Berhad, DisruptAD, Tencent, Franklin Templeton, Willoughby Capital, Antara Capital, and Tiger Global	Flipkart Online Services Pvt Ltd	E-commerce	N.A.	3,600
Three Blackstone affiliate funds	Mphasis Ltd	IT & ITeS	55.3%	2,084
Baring Private Equity Asia	Hinduja Global Solutions (HGS) Ltd-Healthcare business	IT & ITES	100%	1,200
TPG Rise Climate and ADQ	Tata Passenger Electric Mobility Ltd	Start-up	N.A.	1,014
Partners Group	Atria Convergence Technologies Ltd	Telecom	75%	900
Falcon Edge, DST Global, D1 Capital, Redbird Capital, Tiger Global, TPG and Footpath Ventures	Dream Sports Inc-Dream11 Fantasy Private Ltd	Media and entertainment	N.A.	840
Falcon Edge Capital, Amansa Capital, Think Investments, Carmignac, Goldman Sachs, Prosus Ventures and Accel Partners	Bundl Technologies Pvt Ltd-Swiggy.com	E-commerce	N.A.	800
Blackstone Real Estate	Embassy Industrial Parks Pvt Ltd	Transport and logistics	N.A.	709
Accel Partners, SoftBank Vision Fund 2, The Chan Zuckerberg Initiative, Leeds Illuminate, The Canada Pension Plan Investment Board and Prosus	Eruditus Executive Education Pvt Ltd	Education	N.A.	650
KKR & Co.	Vini Cosmetics Pvt Ltd	Retail and consumer	N.A.	625

Tata Motors formed new subsidiary for the EV business. This is the first major fundraising by an Indian carmaker to push clean mobility.

Dream 11 raised USD 1.24 billion through two funding rounds in 2021. Dream11 also executed M&A deal acquiring Rolocule Games Private Ltd

It is one of the largest PE deal in the Indian logistics and warehousing segment.

Eruditus turns unicorn with this funding. This fundraise makes Eruditus the fourth edtech firm to enter India's unicorn league. This will also make it the third edtech unicorn from Sequoia's India portfolio after Byjus and Unacademy,

This investments is India's largest PE-led purchase of a consumer goods company and ranks among the top consumer M&A deals.

Grant Thornton Insights

Dinesh Anand
National Managing Partner - Risk & Private Equity and ESG leader
Grant Thornton Bharat

Despite the second wave's toll on the economy, 2021 was a busy year for private equity investors. Indian PE deal making recorded over 1,600 investments worth USD 48.2 billion, compared with 952 investments valued USD 39.9 billion in 2020. The year witnessed 14 mega deals (valued at and over USD 500 million) worth USD 14.5 billion and 98 investments valued between USD 100-499 million, totaling USD 20.6 billion, compared to 24 and 50 such investments, respectively, last year. Although 2021 was a record year, both in terms of investment volumes and values, the average deal size reduced by 26% over 2020 which witnessed two large deals– Reliance Group's Jio platforms raising USD 9.8 billion and Reliance Retail Ventures raising USD 6.4 billion.

2021 also witnessed a major leap for India's PE growth, fuelled by heightened interest from foreign funds, Indian family offices' participating in direct investments, continued participation from domestic funds and incubation of sector-agnostic debut funds, sustained interest from sovereign wealth funds, pension funds and AIFs participation, increase in the number of large size bets, growing PE-backed acquisitions and IPOs, among other things. Further, 33 new unicorns were born during 2021, attracting close to USD 5.9 billion worth of investments, a positive indication of investors in the Indian start-up space.

Fundraising by India Inc via initial public offer (IPO) saw a record USD 17.7 billion funds raised by mainboard IPOs in 2021 through 65 issues. This was 28% more than a total of USD 13.8 billion garnered by IPOs in the last three years combined. The year saw India's largest-ever IPO worth USD 2.4 billion by One 97 Communications sail through, followed by the delivery app, Zomato at over USD 1.3 billion.

Almost all industries, ranging from financial services to healthcare, retail and consumer, have been transformed by technology in recent years and the pandemic has only amplified this trend. Technology-driven sectors, such as start-up, e-commerce and IT being the focus in 2021, garnering over 67% of PE investments and constituting over 81% of PE deal volumes. This trend will only grow in the coming years benefiting from increased digital adoption and growth opportunities caused by the pandemic. Retail, education, pharma, banking and media and entertainment sectors also remained active during the year, attracting big cheques with the rationale of expanding business, financing acquisitions, accelerating the company's growth momentum and scaling operations. We also saw the PE firms increasing their focus on ESG factors in their due diligence process, a trend which is expected to remain in focus in the coming years.

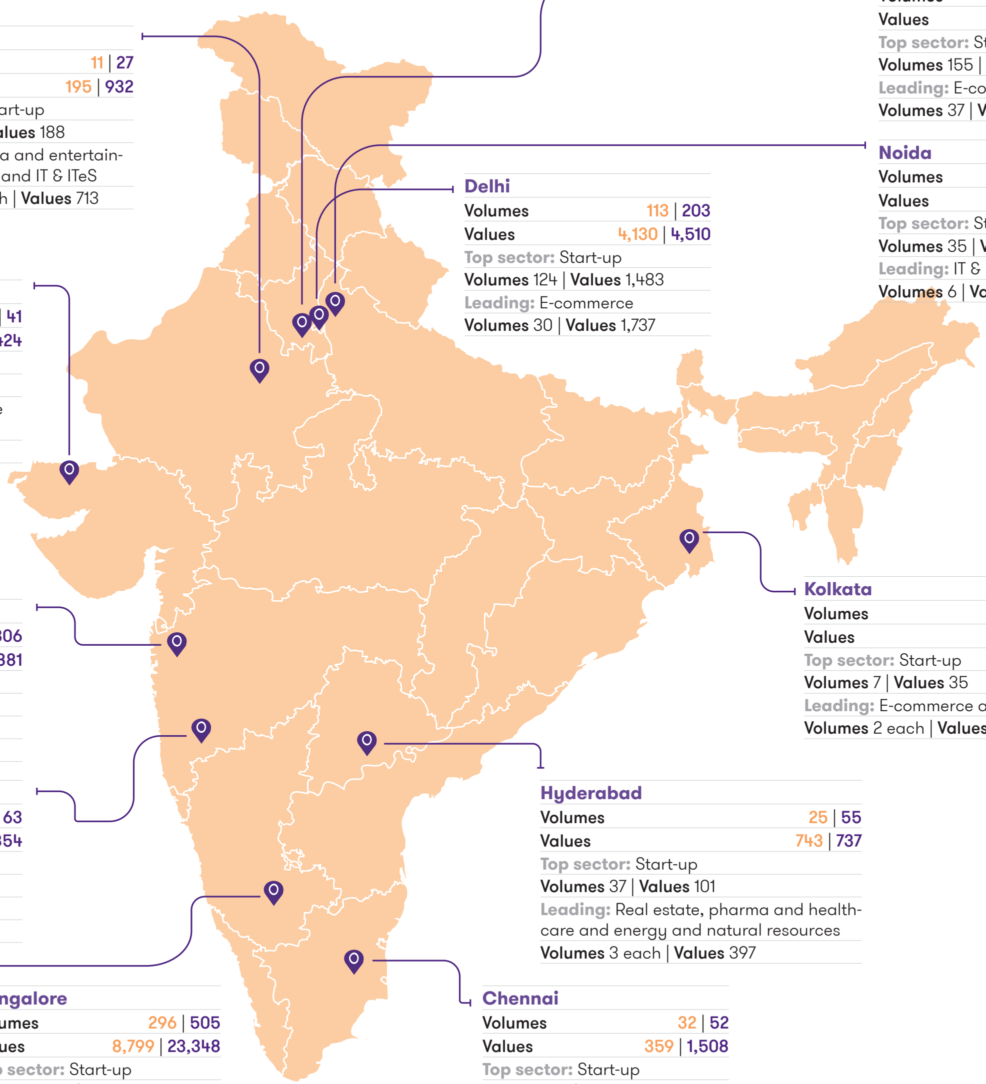
The Omicron variant of the COVID-19 virus has revived the fears around global economic resumption and serves as a reminder of the uncertainty that the world faces ahead. Despite the looming threat of a third wave of COVID-19 and uncertainty of a weakening global economy, expectations around growth in the Indian economy continue to stay resilient. The ongoing pick-up in consumption supporting demand could lead to higher capacity utilisation. This, along with structural policy reform measures and support from government spending, is preparing a conducive backdrop for a spurt in private sector growth. As a result, outlook for the PE/VC landscape for the coming year is strong. We hope to enter the new year with high spirits and heightened deal activity.

Cities in focus

2021 proved to be a good year for key Indian metros as inflows into these cities by private equity funds were at a record high. Bengaluru, Mumbai, Delhi and Gurugram remained top cities, both in terms of attracting investment deals and values, together equaling 76% of the total PE deal volumes and inflows of USD 40.3 billion, an 84% of overall PE share.

Entrepreneurs based in tier-2 cities have attracted investments in 2021. Tier 2 cities, including Noida, Kochi, Ahmedabad, Kolkata, Indore and Jaipur have also witnessed interest from investors due to changing business models that focus on addressing rural issues.

Start-ups dominated in all the top cities in terms of funding volumes. Apart from start-ups, e-commerce, pharma, real estate, media, banking, IT and energy sectors also witnessed PE activity in these top cities. Kochi, Indore, Surat, Goa, Lucknow Coimbatore and Chandigarh also remained active in terms of recording PE investments.



2020 | 2021

Values in USD mn

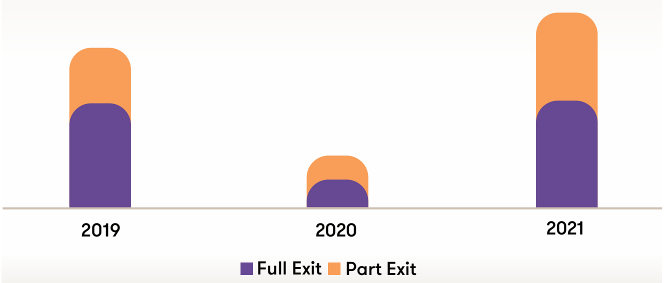
Top cities and top sectors are based on deal volumes

PE exit trends

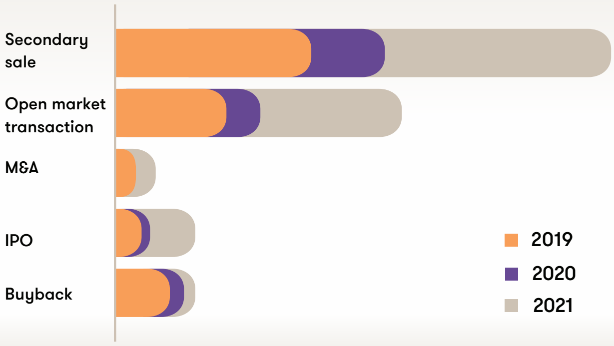
After taking a hit from the pandemic in 2020, exits by private equity and venture capital firms made a strong rebound in 2021, aided by buoyant capital markets. Exit options for investors have vastly improved over the past years with a strong pace in secondary transactions, strategic (M&A) exits and appetite for IPOs in the domestic and international markets.

While nearly all industries have seen strong exit activity, pharma & healthcare, banking and retail and consumer sectors have been notably significant.

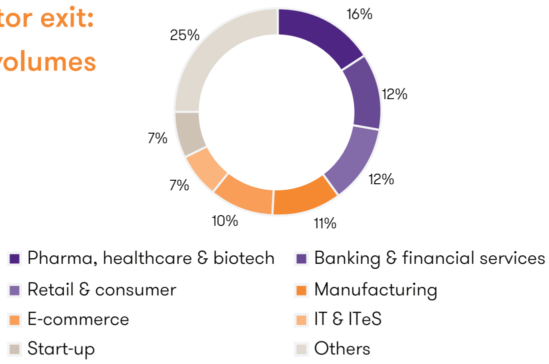
PE exit volumes



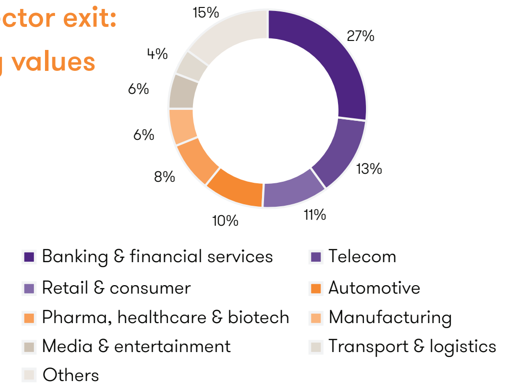
PE exit route



Sector exit: by volumes



Sector exit: by values



Top PE exits in 2021

Investor exited	Investee company	Part/Full exit	Sector
Argan Mauritius and TA Associates	Atria Convergence Technologies Ltd	Full exit	Telecom
Blackstone Group Lp	Sona BLW Precision Forgings Ltd	Part exit	Automotive
Carlyle Group	SBI Cards & Payments Services Pvt Ltd	Part exit	Banking and financial services
Sequoia Capital and Vini founders	Vini Cosmetics Pvt Ltd	Full exit	Retail and consumer
Warburg Pincus	Bharti Telemedia Ltd	Full exit	Media and entertainment
KKR	Max Healthcare Institute Ltd	Part exit	Pharma, healthcare and biotech
Blackstone Group Lp	Embassy Office Parks REIT	Part exit	Real estate
Lakeside Investment Ltd	Gangavaram Port Ltd	Full exit	Transport and logistics

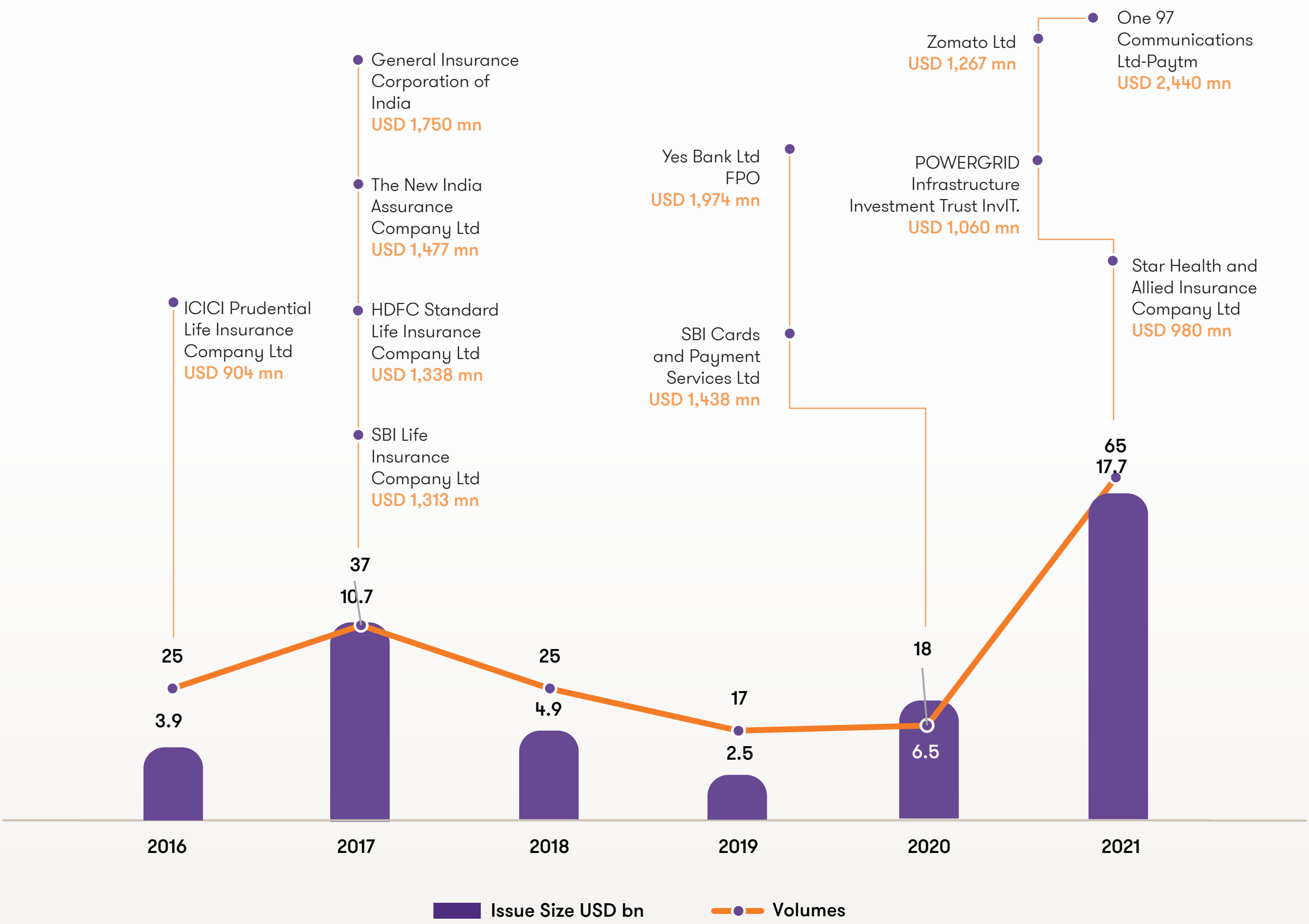
IPO and QIP trends

IPO snapshot

The year witnessed 65 mainboard IPOs, raising a cumulative of USD 17.7 billion, surpassing the previous high of 37 issues (raising USD 10.7 billion) witnessed in 2017. The highlight of the year was new-age companies, such as Zomato, Nykaa, PayTM and Policy Bazaar making their stock market debut. The issue size of One-97 Communications backed PayTM has been the biggest in a decade at USD 2.4 billion. The year also witnessed tremendous response from the public and retail investors resulting in the majority of IPOs being over-subscribed.

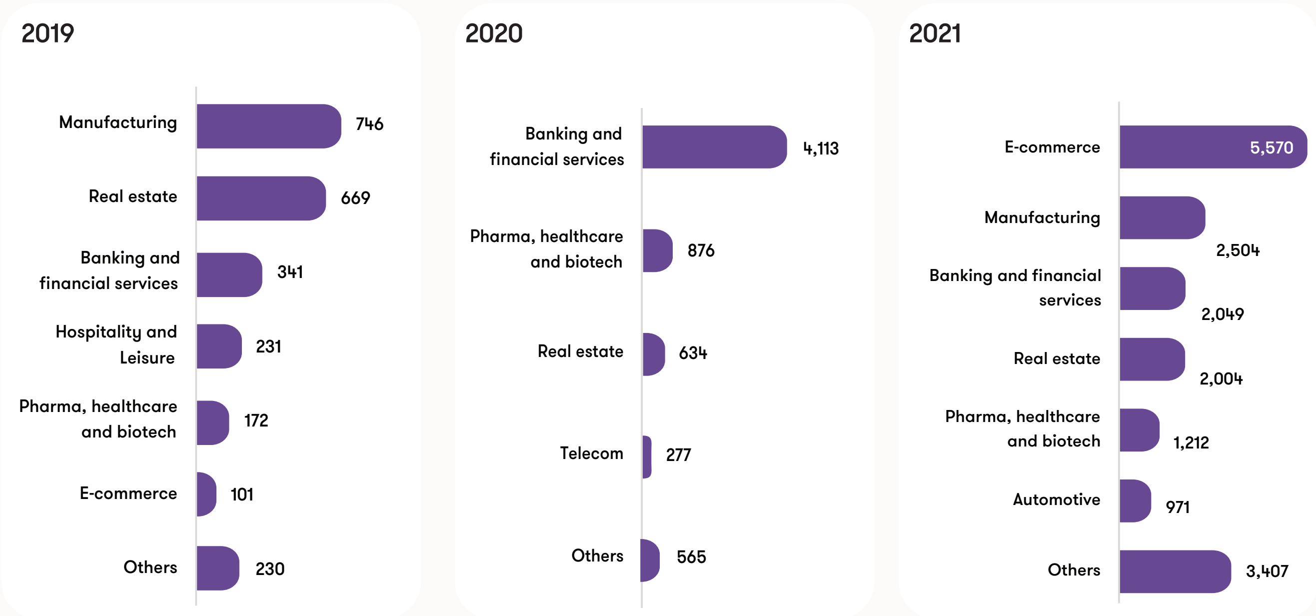
December has, historically, been considered as a festive and holiday season, resulting in a lean period for fundraising. However, 2021 proved to be an exception as a total of 12 companies launched their IPOs in the last month of the year to cumulatively raise nearly USD 2.3 billion.

While companies in the manufacturing sector alone accounted for 25% of the IPO volumes in 2021, real-estate, banking, pharma, and auto sector companies raised high-value IPO's.

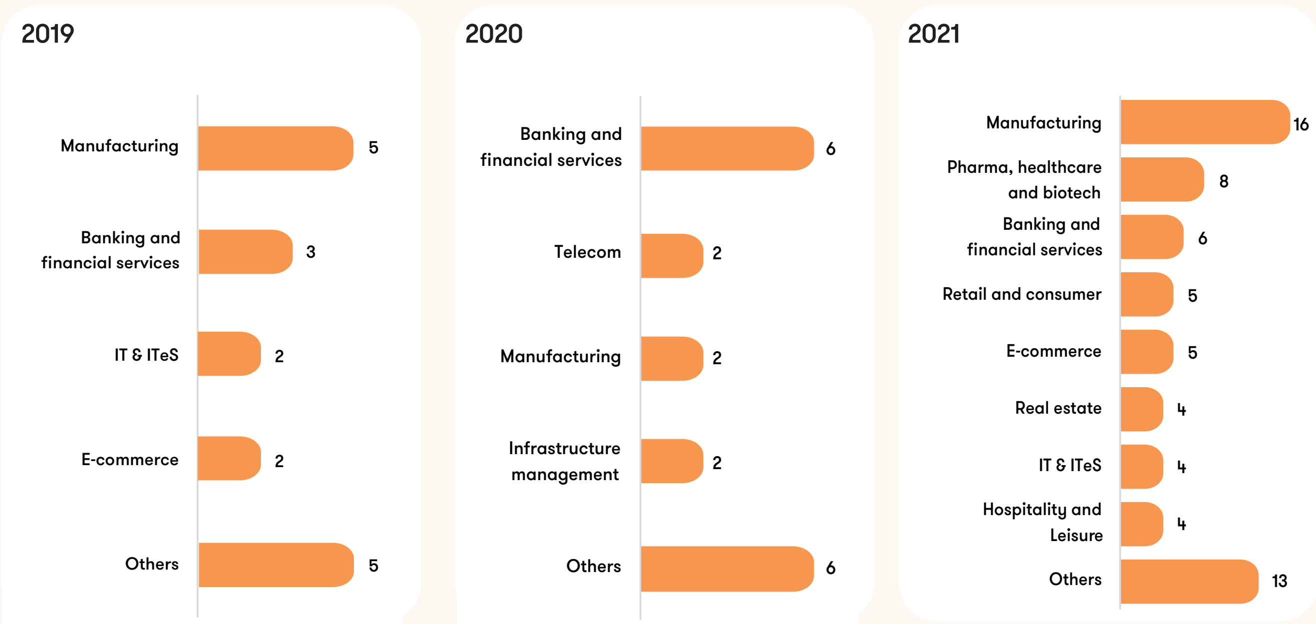


Sector trends

Values USD mn



Volumes

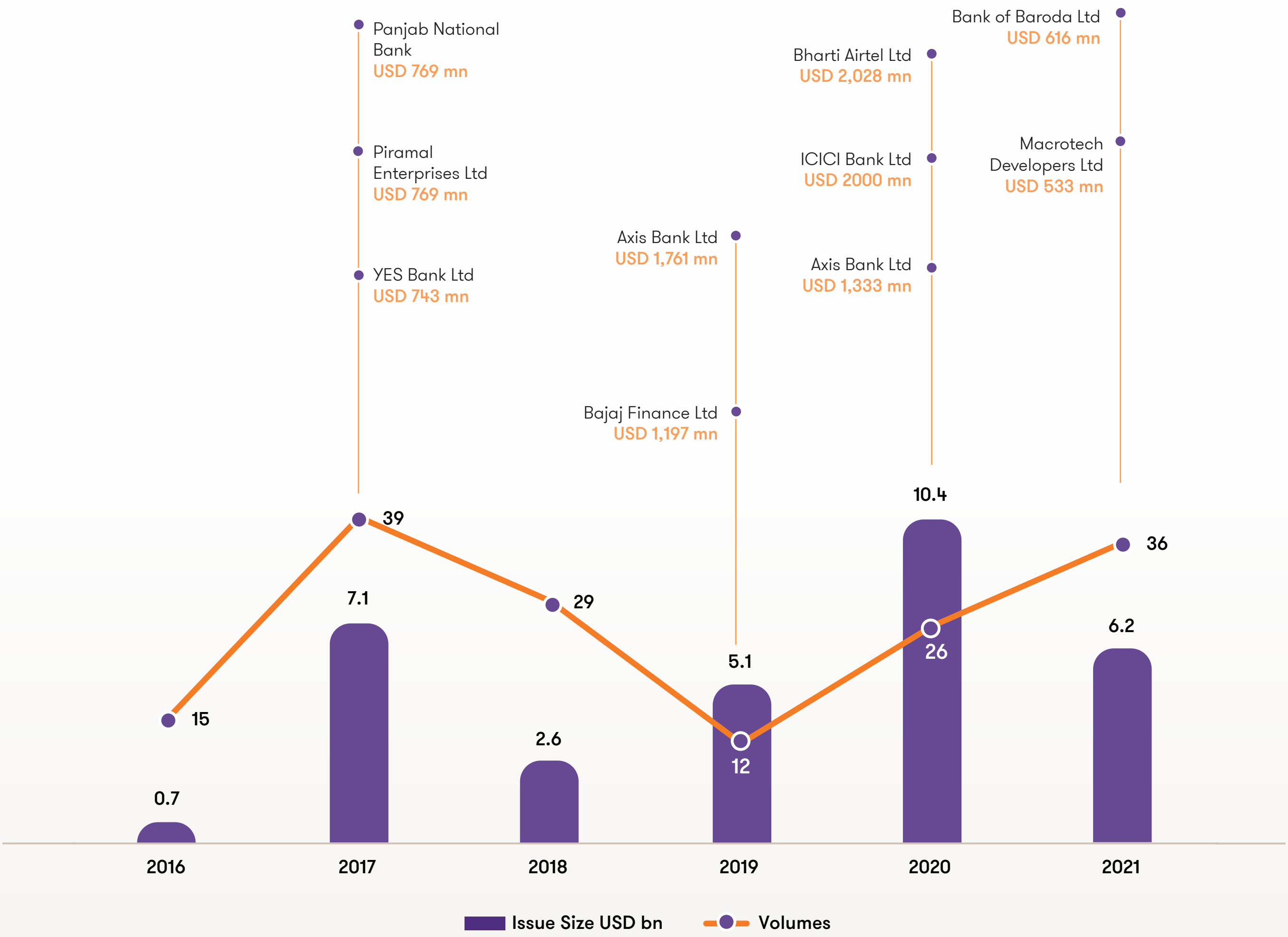


QIP snapshot

Equity fund-raising through QIP route dropped to USD 6.2 billion in 2021, a 40% decline from a record USD 10.4 billion in 2020. Accessibility to cheaper debt and availability of dry powder have resulted in the drop. Despite the drop in the issue size, companies were active in raising funds via this route, recording second-highest issue count in a decade.

Financial institutions were major fund raisers through this route with 28% of issue volumes and 45% of issue size. Major banks, such as Bank of Baroda, IDFC First Bank, Bank of India, Canara Bank, Punjab National Bank, Union Bank of India were among the top fund raisers within the banking sector.

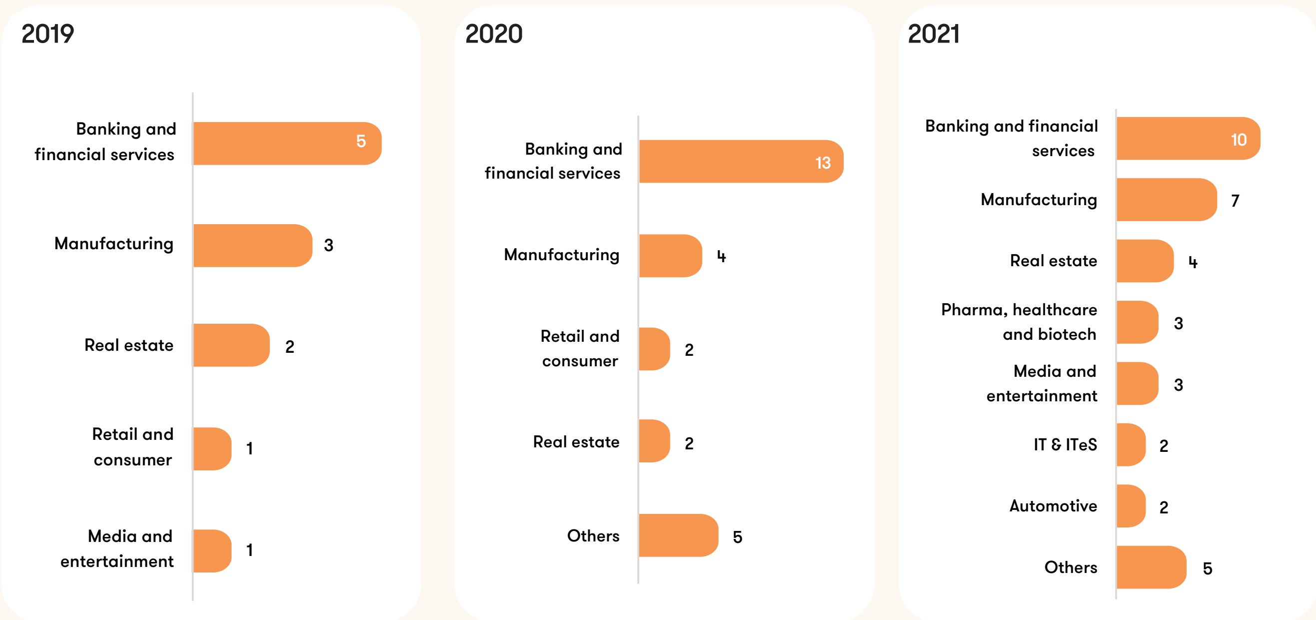
Real-estate companies were the second highest beneficiaries raising USD 1.6 billion across four issues.



Sector trends

Values USD mn

Volumes



Regulatory updates

Insolvency and Bankruptcy Code

Amendments/Regulations impacting AIFs

Tax and regulatory reforms

GST reforms

Ind AS

Companies Act

RERA

IBC: Hope and cautious optimism

Ashish Chhawchharia
Partner & National Head-
Restructuring Services
Grant Thornton Bharat

Just when things were beginning to look positive and business sentiment was at its highest, there now lingers an uncertainty with the Omicron variant. While several sectors, including hospitality and aviation, have seen significant revival, the same can be hampered if curbs and restrictions are imposed. IT and pharma sectors remain defiant, and growth is reflected in the numbers and deals, not to mention the stratospheric valuations that are seen in the new-age companies in recent IPOs and PE deals in recent months.

Under the IBC, the suspension of filing applications to initiate the corporate insolvency process introduced in 2020 expired on 24 March 2021. While it was expected that this would result in some of the pent-up filing demand playing catchup, it did not result in any spike in new cases admitted post the moratorium. As compared to the same period in 2019 when 897 cases were admitted, 285 cases were admitted in April-September 2021. This could be due to a non-performing loan being addressed via a one-time settlement and debt restructuring or debt assignment by banks during the suspension. Banks were eager to clean their balance sheets and the record of time taken in resolving through IBC prompted creditors to look at alternatives.

The long-awaited Pre-Packaged Insolvency Resolution Process (PPIRP) for corporate micro, small and medium enterprises (MSMEs) was introduced in April 2021. MSMEs play an important role in the Indian economy and the introduction of PPRIP came at an opportune time as the pandemic had a substantial impact on operations of these enterprises. The first application for PPIRP was admitted in the matter of GCCL Infrastructure & Projects Ltd in September 2021. This will serve as a trial period before pre-packs are introduced across corporates. A broader adoption of PPRIP will open up opportunities to keep the distressed businesses operating until they can be acquired and turned around in a timely manner with minimal disruptions to operations.

The finance minister in the budget for 2021-22 announced the formation of a bad bank to deal with the high level of non-performing assets in the banking system. An Asset Reconstruction Company (ARC) and Asset Management Company (AMC) was proposed to be set up to consolidate and take over the existing stressed debt with the plan to manage and eventually dispose off the assets to alternate investment funds and other potential investors for value realisation.

Following this, in September 2021, the National Asset Reconstruction Company (NARCL) and India Debt Resolution Company Ltd (IDRCL) were set up. In the first phase, NARCL is expected to acquire nearly INR 900 billion worth of loans from banks which have been fully-provisioned. This will be acquired via a combination of 15% cash and 85% of Security Receipts (SRs) with the SRs being guaranteed by the central government. NARCL is expected to kick start the secondary loan acquisition activity in early 2022.

Earlier this year, the Supreme Court (Lalit Kumar Jain v. Union of India) cleared the way for personal insolvencies for corporate guarantors, which paved the way for lenders to exercise their rights for additional recoveries from promoter's personal assets for companies which are already under the IBC process or where companies stand resolved.

2021 witnessed three large accounts with claims of nearly INR 1.7 trillion notching up the approval of the National Company Law Tribunal (NCLT). Resolution plans for the first airline (Jet Airways), the first NBFC (Dewan Housing Finance Ltd) and the first group insolvency case (Videocon group) were approved in the last six months. This, coupled with some landmark judgements from the Supreme Court, bolstered the confidence amongst creditors on the efficacy of the corporate insolvency resolution process under IBC.

2022 is expected to see a fair amount of action in the distressed financial services space. With the success of the first player, Dewan Housing Finance (DHFL) finding resolution under the IBC after being successfully acquired by Piramal Capital & Housing Finance Ltd, three other financial services companies – SREI Infra, SREI Equipment Finance and Reliance Capital Ltd – have been admitted for resolution under the IBC in 2021.

Framework for both cross-border and individual insolvency is in the works and expected to make their initial appearance in 2022. Adoption of cross-border framework and bilateral agreements with specific overseas jurisdictions, such as UK, Singapore, UAE, etc. where trade activity is high, will prove to be beneficial and help attract more potential buyers.

Look forward to seeing what we can achieve in the next year as these stories unfold.

Amendments/regulations impacting AIFs

Amit Kedia
Chartered Accountant, Mumbai

The alternative investement funds (AIF) industry has widely grown 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 a number of ventures, ranging from pre-revenue stage companies to early and later-stage companies and growth companies that wish to scale their operations. In addition, AIFs also help incubate innovative ideas and invest in a broad array of sectors, such as 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 to generate alpha returns for their investors.

The total number of AIFs have almost tripled over the last five years (i.e., from nearly 280 AIFs in December 2016 to over 821 AIFs in December 2021). Further, the total capital commitments received by AIFs has increased from INR 65 thousand crore as on September 2016 to INR 5.35 lakh crores in September 2021.

The following are the recent amendments incorporated in the SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations):

- The formats for Private Placement Memorandum (PPM) of AIFs have been standardised by the SEBI. Further, SEBI has mandated annual audit to ensure compliance with terms of PPM.
- With a view to keep investors informed about various activities pertaining to AIFs, an investor charter (containing details of services provided to investors, grievance redressal mechanism, responsibilities of the investors etc.) has been prescribed by SEBI, which shall form a part of the PPM.
- Widening the definition of Venture Capital Undertaking by removal of the negative list shall provide flexibility to Category I AIFs registered under sub-category Venture Capital Funds.
- Introduction of the definition of 'start-up' in the AIF Regulations, which is linked with the definition prescribed by the Department for Promotion of Industry and Internal Trade (DPIIT) shall not leave any ambiguity with respect to AIF investments in the start-ups.
- Co-investment by a sponsor/manager/investor, alongside the AIF, is now permitted by SEBI and can be undertaken subject to certain conditions. Manager of an AIF who is also a SEBI registered portfolio manager and intends to offer co-investment services through PMS route, shall do so only under prior intimation to SEBI and in compliance with prescribed conditions.
- Introduction of the concept of 'accredited investors' coupled with relaxations in regulatory conditions for funds with accredited investors (such as extension of tenure, relaxation in concentration norms, etc.)
- Investment concentration limit for investment in listed equity to be complied by category III AIFs shall now be calculated considering the NAV of the fund instead of investable funds.
- Application for AIF registration (including any subsequent changes) shall be filed through a merchant banker, thus mandating AIFs to now appoint a merchant banker.
- Code of conduct has been prescribed for AIF, trustee, manager and members of investment committee and other key personnel to have a better regulatory oversight.
- With regard to AIFs set up in IFSC, a host of benefits have been extended by the tax and regulatory authorities targeted to incentivise fund managers to set up funds in IFSC. These include non-applicability of investment diversification norms, permitting Indian entities to be sponsor without prior RBI approval, permitting to undertake leverage, permitting co-investments through segregated portfolio by issuing separate class of units, exemption to non-resident investors from obtaining PAN and filing tax returns.

The aforesaid amendments are an indication of SEBI's twin intention of upscaling the growth pace and maintaining an appropriate regulatory oversight. Most of the amendments will act as catalysts for the investment activities with more capital flowing to various sectors. Some amendments have been added to the compliance and disclosures by AIFs with an intention to grant benefits and safeguard investor interest.

The industry is looking forward to the forthcoming Union Budget for fulfilment of certain unfinished asks, such as litigations on GST on carried interest, tax pass-through for category III AIFs, clarifications in co-investment conditions to remove unintended consequences of recent amendment, which will contribute to the growth of the AIF industry.

Tax and regulatory reforms

Sridhar R
Partner, Tax
Grant Thornton Bharat

Revitalising the economy post the pandemic

As per the RBI Governors' statement, the Indian economy has hauled itself out of a deep contraction in the first quarter of 2020-21 to a position in which the GDP has expanded by 13.7 % in the first half of 2021-22. This is in alignment with RBI's projections. In several sectors of the economy, pre-pandemic levels of output have been crossed. As per the Central Board of Direct Taxes (CBDT), the direct tax collections for the Financial Year 2021-22, show that net collections are at INR 9,45,276.6 crore compared to INR 5,87,702.9 crore over the corresponding period of the preceding financial year i.e., FY 2020-21. This represents a healthy increase of 60.8% and points to positive signs of recovery.

The RBI's outlook for Q3:2021-22 indicate that the momentum of economic activity is gaining further traction, aided by expanding vaccination coverage, the rapid subsiding of new infections and release of pent-up demand. Continued direct transfers under PM Kisan scheme are supporting rural demand. The demand for work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) moderated in November from a year ago, suggesting a pickup in farm labour demand. Supported by favorable soil moisture content and good water reservoir storage levels, rabi sowing has been 6.1 % higher than a year ago as on December 2021.

Some of the key regulatory announcements which have been announced in the last six months are summarised hereunder:

Reserve Bank of India

- There is a concerted push to enhance digital modes of payments. Some of the concerns on the reasonableness of various charges incurred by customers for digital payments through credit cards, debit cards, prepaid payment instruments (cards and wallets) and Unified Payments Interface (UPI) are proposed to be addressed and the RBI is planning to release a discussion paper on this matter to make digital transactions more affordable.
- RBI plans to deepen digital payments and make them more inclusive. Towards this, it is proposed to: (i) launch UPI-based payment products for feature phone users, leveraging on innovative products from the RBI's Regulatory Sandbox on Retail Payments; (ii) make the process flow for small value transactions simpler through a mechanism of on-device wallet in UPI applications; and (iii) enhance the transaction limit for payments through UPI for the Retail Direct Scheme for investment in G-secs and Initial Public Offering (IPO) applications from INR 2 lakh to INR 5 lakh.
- The RBI has changed the benchmark rate under its External Commercial Borrowing (ECB) Policy for foreign currency loans from the current six month LIBOR rate of applicable currencies to any widely accepted interbank rate or alternative reference rate (ARR) of six month tenor, applicable to the currency of borrowing. This is in anticipation of discontinuance of the LIBOR rates.

SEBI

- In March 2021, SEBI changed the rules in the listing policy of the Innovators Growth Platform (IGP) to make the platform more accessible. These include eligible investors having to hold 25% of pre-issue capital for a year instead of the earlier period of two years; ability to make discretionary allotment up to 60% of the issue size; and the threshold trigger for open offer has been relaxed from the existing 25% to 49%.
- SEBI is actively considering amendments to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) with the objective of relaxing the framework of initial public offerings. The amendments are likely to permit future acquisitions/ strategic investment without necessarily identifying specific targets at the time of the IPO. There is also a proposal to enhance the limit of amount set aside in an IPO for General Corporate Purposes (GCP) from the current 25% to 35% of the IPO size. This could indirectly permit future acquisitions.
- SEBI is actively considering enhancing the market making provisions for the corporate bond markets. This should provide liquidity to facilitate efficiency in the functioning of the financial markets. The bond market is an important source of funds and a robust liquid bond market would help in cheaper and easier access to funds and help in widening investor base.
- SEBI also inter-alia comprehensively amended the following Regulations:

1 Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 to cover various Employee Stock Ownership Plans (ESOPs) as well as sweat equity offering by listed/ companies proposed to be listed.
2 Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 to simplify delisting procedures.

Foreign Direct Investment policy:

- In October 2021, the government announced that 100% FDI (enhanced from 74%) will be permitted under automatic route in telecom services (including Telecom Infrastructure Providers Category-I) and other service providers.
- Foreign direct investment (FDI) up to 100% in PSU's engaged in petroleum refining have also been allowed where an in-principle approval for strategic disinvestment of the PSU has been granted by the government. FDI continues to be Ltd to 49% in all other cases.

Investment promotion

- Notification of Production Linked Incentive Schemes (PLI) – The PLI scheme introduced by the government in early 2020 has now been expanded to include 14 key specific sectors. A total outlay of INR 1.97 lakh crore across these sectors is allocated. The latest addition to the list was in September 2021 when drones and drone components administered by the Ministry of Civil Aviation was notified.

GIFT City

- The government has, recently, in July 2021 allowed, amongst others, listing of equity shares in the IFSC-GIFT City. Now, a domestic company, or a company in IFSC or a foreign company, can consider, among other things, the following possibilities:
  - An IPO of equity shares by an unlisted issuer (including a Special Purpose Acquisition Company);
  - A follow-on public offer (including a rights issue and/or preferential issue) of equity shares by a listed issuer;
  - Listing of equity shares by a start-up company or an SME company;
  - Secondary listing of equity shares;
  - Listing of depository receipts;
  - Listing of debt securities;
  - Listing of ESG debt securities;
  - Issuance and/or listing of any other securities as may be specified by the Authority from time to time.
- It is anticipated that these changes will be supported by tax incentives that may be proposed in the forthcoming budget for such listing.

Outlook for 2022

Globally, the recurrence of COVID-19 waves in many parts of the world, including the appearance of the Omicron variant, is seen as a significant concern in opening up economies and for activity levels to reach pre-pandemic levels. Hardening of inflation and continuing supply bottlenecks also create adverse impact on outlook. The Indian economy is relatively well-positioned on the path of recovery, but it cannot be immune to global spillovers of the above issues.

There is a clear effort from the Government of India in trying to make Indian capital markets and institutions resilient and attractive for investors and corporates.

As per OECD and CMIE predictions, an economic rebound in India is predicted and the GDP is set to expand by 9.4% in FY 2021-22 and 8.1% in FY 2022-23. It is likely to get moderated to 5½ per cent in FY 2023-24. In the medium term, however, uncertainty over employment and earnings prospects could slow down the revival of consumption led growth. Manufacturing sector should get a boost with the Production-Linked Incentive (PLI) scheme.

GST reforms

Krishan Arora
Partner
Grant Thornton Bharat

It has been more than four years since India overhauled its indirect tax regime and it has already been a game-changer. GST has really helped in reducing the cascading the effects of the earlier tax regimes and has put the country's economy on the list of select global economies with a federalised/ nationalised indirect tax regime. Furthering the same, the e-invoicing project of the Central Board of Indirect Taxes has been a major success in ensuring greater transparency in business transactions. It has led to a significant revenue boost, which was virtually absent when the first e-intervention i.e., e-way bills was implemented in 2018. Additionally, electronic invoicing has helped in detecting tax evasion using data analytics, increased use of technology and tightening of tax administration.

Revenue collection from GST in the current financial year has grown more than what it was during the pre-pandemic period. GST collection for November 2021 being more than INR 1.3 trillion surpassed the collection of the last few months, registering the second-highest collection since the implementation of GST, just after INR 1.4 trillion in April 2021. Notably, collections from excise and custom duty rose even in FY21, despite the lockdowns and a massive 24% contraction in GDP. The buoyancy in collections suggests a recovery in industrial and construction activity, flourishing exports and growth in the service sector.

The government has been proactive and is undertaking continuous efforts to make the GST online portal more mature and functional by introducing changes and issuing requisite clarification/advisories to enhance user experience, thereby ensuring effective compliances by taxpayers. Recent measures, such as revamped version of GSTR-1, auto-drafted ITC statement in Form GSTR-2B, mandatory linking of Aadhar details and updation of bank account details on the portal, linking of e-invoicing details in GST returns are all helping the businesses and the taxman in ease of doing their businesses and checking revenue leakages, respectively.

Long gone are the days when tax authorities used a pen and paper to check for irregularities. The current tax officials have deployed big data analysis and have other significant information technology tools at their disposal to detect conceivable avenues of turnover/input tax credit fraud. Data analytics is already being used by the authorities in innovative ways to curb evasion, marrying income tax data-Form 26AS with GST data provided by taxpayers while filing income tax/GST returns, IT profiling to help revenue department nab fraudsters claiming fake GST credits, fresh instructions on issuance of SCNs, use of income tax returns to verify credentials of entrepreneurs seeking GST registration, etc.

Moreover, in order to enhance both the quantitative and qualitative efficiency of GST laws, the government has time and again introduced a spree of measures in the interest of all the stakeholders, such as dispensing off with mandatory requirement of independent auditor's certificate for GST audit, increasing of GST rates to address the inverted duty structure issue with footwear and textiles sector, increasing in tenure of National Anti-Profiteering Authority, thereby making an additional attempt to ensure passing on due benefits by the companies to ultimate consumers.

Considering the country's struggle under the grim situation of COVID's second wave and in view of challenges posed by lockdowns, the GST council took certain decisions to ease GST compliances for taxpayers such as waiver of late fees, interest, extension of statutory time limits, etc. GOI also introduced faceless assessments and now online hearings will be conducted for ongoing litigations. Further, various clarifications/amendments were made with an aim to reduce disputes, simplify recovery process and ease out immediate cash flow burden for many taxpayers. A big relief to taxpayers was also brought by notifying interest exposure only on net tax liability.

While the government has tried helping taxpayers on various aspects and has made efforts for easing GST compliances, there are still issues which the Council needs to mull upon and provide appropriate relief. One of the major issues being conflicting timelines for various compliances/benefits. Currently, the due date for filing GST annual return and reconciliation statement for FY 2020-21, income tax return for AY 2021-22 and SEIS application for FY 2019-20 is 31 December 2021. With all these compliances just above the horizon and no talks of an extension, businesses are running haywire just to ensure their compliance with law.

Outlook for 2022

GST was originally envisioned as a simplified tax structure with fewer tax slabs, zero multiplicity in taxes and easier flow of input tax credit in the system. However, it seems that this aim has not been achieved to the fullest. While the number of items in 28% tax slab has been brought down during past years, rate rationalisation has been achieved only partially and much of this is yet to see the light of the day.

From the delay in paying out compensation to states, to the debate on extension in the sunset date for compensation, the topic has hardly been off the Council table. The government should focus on rationalisation of tax structure, thereby resolving the mentioned disconsonant on compensation. Further, there is a dire need of tax incentive policies, at least for priority sectors, to boost revenues both for business and for the exchequer.

Ind AS

Ashish Gupta
Chartered Accountant, Gurgaon

Indian accounting standards, seeing through the uncertainty

Indian Accounting Standards (Ind AS), which are based on IFRS, is the globally preferred language that investors seek reliable financial information. Ind AS/IFRS is not only standardised across the globe, but it is also regularly updated by way of updates/ improvements to IFRS that Indian standard setters also adopt as a part of Ind AS. One such critical update this year was the rent-related concessions specifically addressing COVID-19 related changes to lease rentals.

Rent related concessions amendment to Ind AS 116 Leases provides an optional practical expedient, wherein a lessee can choose not to apply lease modification requirements included in Ind AS 116 to reductions in rent that were granted by the lessor specifically in response to COVID-19 situations. The practical expedient was aimed at reducing the accounting effort involved in modifying the leases as well as ensuring that the gain due to such reduction is reflected in the profit and loss in the same period as the rent reduction.

The practical expedient helped sectors that relied heavily on leased properties/assets for their business (e.g. retail, airlines, warehousing, etc.) in showing the lease-related cost-saving directly in their profit and loss account in the correct period. Had this expedient not been available, the gain from these COVID-19 specific reductions in rentals would have been deferred over the term of the lease, much beyond the period to which these reductions are related. Therefore, the expedient was a welcome update to Ind AS 116, which almost all companies chose to apply.

Apart from the practical expedient, Schedule III to the Companies Act was amended to include additional disclosures for better and more transparent presentation. This amendment is applicable for financial year ending 31 March 2022 (including interim periods). The update includes the following:

- Disclosure of shareholding of promoters
- Trade payables and receivables aging schedule with age as per specified formats
- Specific disclosures to be made under the head Additional Regulatory Information not Ltd to the following:
  1. Title deeds of immovable property not held in the name of the company
  2. Details of loans or advances granted to promoters, directors, KMPs and the related parties as defined under the 2013 Act
  3. Details of the Benami property held
  4. Disclosure where a company is a declared wilful defaulter by any bank or financial institution
- Disclosures for the items in the statement of profit or loss for undisclosed income, corporate social responsibility, details of cryptocurrency or virtual currency

Lastly, with the world economies jumping into recovery and stock markets becoming highly attractive due to government backed stimulus packages (including low interest rates), there is an unprecedented rush to raise capital through IPOs. SEBI had in the past mandated the three years of historical information to be included in the prospectus to make it Ind AS compliant. Therefore, to comply with these requirements, the majority of IPO aspirants voluntarily opted to adopt Ind AS so that a minimum of three years' of historical Ind AS financial information is available before the IPO. In case a company chooses to adopt Ind AS only at the time of filing for IPO, it shall be required to prepare proforma financial information for the earliest year of the three years presented.

For example, if a company intended to file for IPO in April 2021, it was required to present the last three years of financial information in compliance with Ind AS i.e., FY 2020-21, FY 2019-20, and FY 2018-19. While, if the company had adopted Ind AS for the first time only in FY 2020-21, its Ind AS transition date would have been 1 April 2019, but for the purpose of IPO, it would have had to prepare proforma financial information for FY 2018-19 (i.e., before its actual transition date to Ind AS), which causes duplication of transition dates and related effort.

Ind AS is the language that investors want to see and the regulators world-wide are continuously monitoring and updating Ind AS/IFRS, therefore companies looking for deals, whether IPOs or private investments should consider transitioning to Ind AS even before it is mandatory for them.

Companies Act

Madhuri Ravi
Chartered Accountant,
Gurgaon

The Ministry of Corporate Affairs (MCA) has continued to amend the Companies Act 2013 (the Act) to achieve the twin objectives of promotion of ease of doing business and better corporate compliance, including increased transparency in reporting. In the current year, several such amendments have been made to the provisions of the Act.

A new Rule 2A has been inserted in Companies (Specification of Definitions Details) Rules, 2014, which has narrowed the definition of listed companies under the Act with effect from 1 April 2021 to exclude companies that have only debts listed on a private placement basis. The amendment is expected to boost the debt securities market in India and provide relief to companies covered under this relaxation from compliance with stringent requirements of the Act applicable for listed companies.

MCA also amended the definition of small company effective from 1 April 2021 clarifying that paid-up capital and turnover of a small company should not exceed INR 2 crore (increased from earlier threshold of INR 50 lakhs) and INR 20 crore (increased from earlier threshold of INR 2 crore), respectively. However, an existing company, which was previously not Small and Medium Sized Company (SMC) will not be given relaxation for compliance with Accounting Standards available to SMC until it remains SMC for two consecutive accounting periods.

In addition, the fast-track process for mergers under the Companies Act 2013 has now been extended to include mergers of start-ups with other start-ups and small companies. This amendment is likely to further enhance the growing ecosystem of start-ups and allow such companies to achieve benefits from scale of operations and synergies through merger or amalgamation.

On the other hand, in terms of financial reporting, Section 129A has been inserted by Companies (Amendment) Act, 2020, which allows Central Government to prescribe class or classes of unlisted companies that are required to prepare and submit reviewed/audited periodical interim financial statements with Registrar of Companies. MCA is yet to prescribe rules with respect to this newly-inserted section.

The MCA has also issued amendments to Schedule III which provides the disclosure and presentation requirements for financial statements prepared under the Act, to add new disclosures for increased transparency in reporting by companies for periods beginning on or after 1 April 2021. Companies need to gear up to provide significant additional information covering new areas under these requirements that include, inter alia, information relating to promoter shareholdings, details of advances and loans given to intermediaries for forwarding these to third parties (ultimate beneficiaries), details of benami properties held, transactions with struck off companies and crypto currency transactions. Some of these disclosures are also covered as matters that require reporting by the auditors of the Company in the Companies (Auditor's Report) Order, 2020 which is applicable for financial years beginning on or after 1 April 2021.

Further, MCA has amended Companies (Accounts) Rules, 2014 which now requires companies using accounting software for maintaining its books of account to use only such software that allows recording of audit trail by creating an edit log with effect from 1 April 2022.

Under the CSR related amendments made though Companies (Amendment) Act, 2020 which are applicable from 22 January 2021, the companies covered under such regulations are now mandated to incur such expenditure as computed in accordance with the provision of Section 135 and transfer unspent CSR amount to approved funds specified in schedule VII of the Act. As a one-time relaxation, the MCA issued a clarification in May 2021 that any excess CSR amount contributed by the companies by 31 March 2020 to the PM CARES Fund could be set off against the CSR obligation for FY 2020-21.

Lastly, owing to the unforeseen circumstances of the COVID-19 pandemic that struck India in late January 2020 and spread rapidly over the following months, with the second wave that hit the country in April 2021, the state governments were forced to impose lockdown and other restrictions to contain the spread of the virus, resulting in temporary disruptions in the operations of most business entities in the two waves. 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 two years, which included extension of timelines for filing of returns/documents, holding of board meetings and general meetings, including through video conferencing at relaxed time-intervals, exemption from late payment fees, extension of time gap between board meetings, extension of timelines for creation of deposit repayment reserve and mandatory investments to be made for maturing debentures, etc.

Overall, the government and regulatory authorities have continued on the chosen path of ensuring ease of business by reducing compliance requirements wherever possible, automating submission and processing of documents/returns, removing difficulties faced by businesses, especially during the pandemic while, at the same time, promoting self-regulation for compliance with the Act and regulations and increased governance norms. The agility with which the government announced the compliance relaxations during the two waves of pandemic further reinforced government's will and consideration to ensure ease of doing business in India. The changes brought in by MCA also indicate continued support to SMCs and startup ecosystem in India which has been validated by the record number of start-ups achieving the unicorn status in 2021.

Sector spotlight

Sector trends

E-commerce

IT & ITeS

Start-up

Pharma, healthcare and biotech

Retail and consumer

Banking and financial services

Other sectors

Please note that the criteria used to define Indian start-ups include a) the company should have been incorporated for five years or fewer 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.

Sector trends

2021 was dominated by big ticket transactions and investments across technology led sectors such as e-commerce, IT & ITeS, and start-up. While these sectors contributed to almost half of deal values during the year, they constituted for nearly 75% of deal volumes. Banking, energy, manufacturing, and aviation sectors witnessed billion-dollar transactions further pushing the deal values up for the year.

With digital transformation and innovation across sectors, marquee deals were witnessed in the digital payments, renewable energy, cleantech, logistics and warehousing, social commerce, fin-tech, agri-tech, digital art platform, municipal solid waste management, edtech, and gaming tech segments, among others.

While the pandemic resulted in declining activity across various sectors in 2020, 2021 witnessed a gradual pick-up in these sectors specifically in the education, media and entertainment, hospitality & leisure and real estate, among others.

Sectors by Value in USD mn

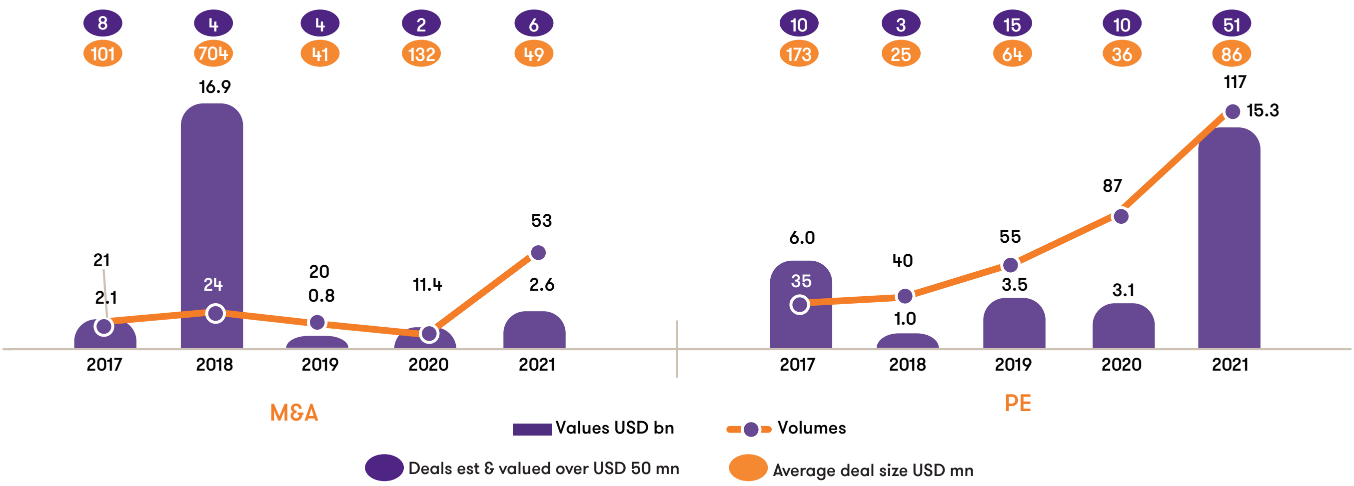
Sector	2019	2020	2021
E-commerce	4,321	4,542	17,883
Start-up	7,788	5,799	11,764
Energy and natural resources	8,479	6,565	8,537
Pharma, healthcare and biotech	4,009	3,442	3,700
Media and entertainment	1,075	484	2,742
Transport and logistics	512	2,446	2,155
Telecom	4,394	20,662	1,615
Infrastructure management	2,989	2,793	759
IT & ITeS	3,276	3,530	14,540
Banking and financial services	5,028	3,097	11,190
Education	998	1,276	6,450
Manufacturing	8,649	4,727	3,520
Aviation	-	-	2,470
Retail and consumer	1,753	10,756	2,043
Real estate	2,706	5,076	796

Sectors by Volume

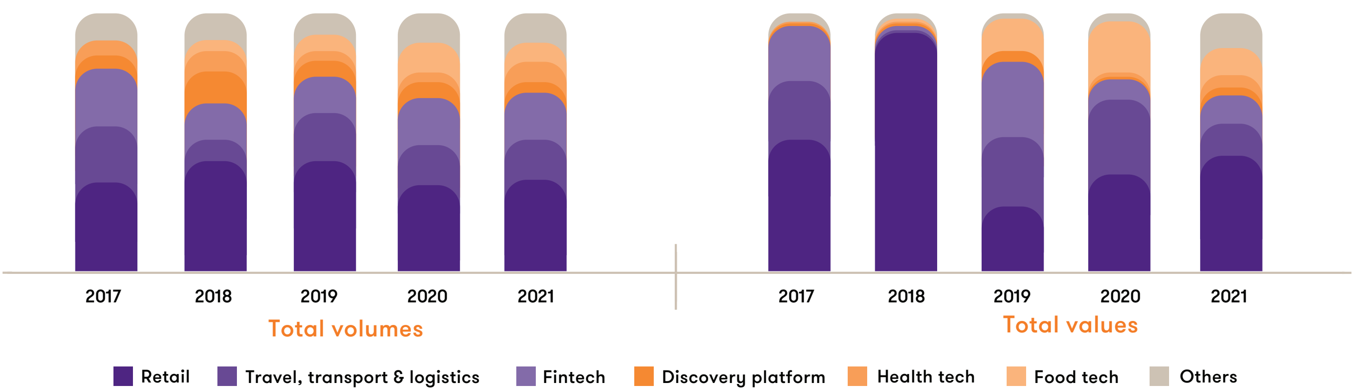
Sector	2019	2020	2021
Start-up	576	686	1195
IT & ITeS	130	99	141
Retail and consumer	58	56	84
Banking and financial services	70	47	57
Manufacturing	44	39	44
Hospitality and leisure	22	10	31
Telecom	5	21	11
E-commerce	75	98	230
Pharma, healthcare and biotech	78	63	88
Education	30	39	73
Media and entertainment	39	24	45
Energy and natural resources	29	29	34
Real estate	25	12	15

E-commerce

Year-on-year deal trends



Sub-sector classification



Top M&A deals

The top six deals accounted for 87% of the total sector M&A deal values

Acquirer	Target	Sub-sector	% stake	USD mn
Tata Digital Pvt Ltd	Supermarket Grocery Supplies Pvt Ltd-BigBasket.com	Retail	64%	1,257
Reliance Retail Ventures Ltd	Just Dial Pvt Ltd	Discovery platform	41%	473
Dreamplug Technologies Pvt Ltd-Cred	VA Tech Ventures Pvt Ltd-Happay	Fin Tech	100%	180
Walmart Inc-Flipkart Online Services Pvt Ltd	Ideas Infolabs Pvt Ltd-Ninjacart	Travel, Transport & Logistics	N.A.	145
FedEx Express	Delhivery Pvt Ltd	Travel, Transport & Logistics	N.A.	100
Zomato Media Pvt Ltd	Grofers India Pvt Ltd	Retail	9%	100

Top PE deals

The top five deals accounted for 39% of the total sector PE deal values

Investor	Investee	Sub-sector	% stake	USD mn
GIC, CPPIB, SoftBank Vision Fund 2, Walmart, QIA, Khazanah Nasional Berhad, DisruptAD, Tencent, Franklin Templeton, Willoughby Capital, Antara Capital, and Tiger Global	Flipkart Online Services Pvt Ltd	Retail	N.A.	3,600
Falcon Edge Capital, Amansa Capital, Think Investments, Carmignac, Goldman Sachs, Prosus Ventures and Accel Partners	Bundl Technologies Pvt Ltd-Swiggy.com	Food Tech	N.A.	800
Fidelity Management and Research Company, B Capital, Footpath Ventures, Trifecta Capital, Good Capital, SoftBank, Prosus Ventures, and Facebook	Fashnear Technologies Pvt Ltd-Meesho	Retail	N.A.	570
Lightspeed Venture Partners, Tiger Global, Snap Inc, Twitter and India Quotient	Mohalla Tech Pvt Ltd-Sharechat	Networking Platform	N.A.	502
Temasek, Warburg Pincus and angel investor	Olacabs.com-ANI Technologies Pvt Ltd	Travel, Transport & Logistics	N.A.	500

Grant Thornton Insights

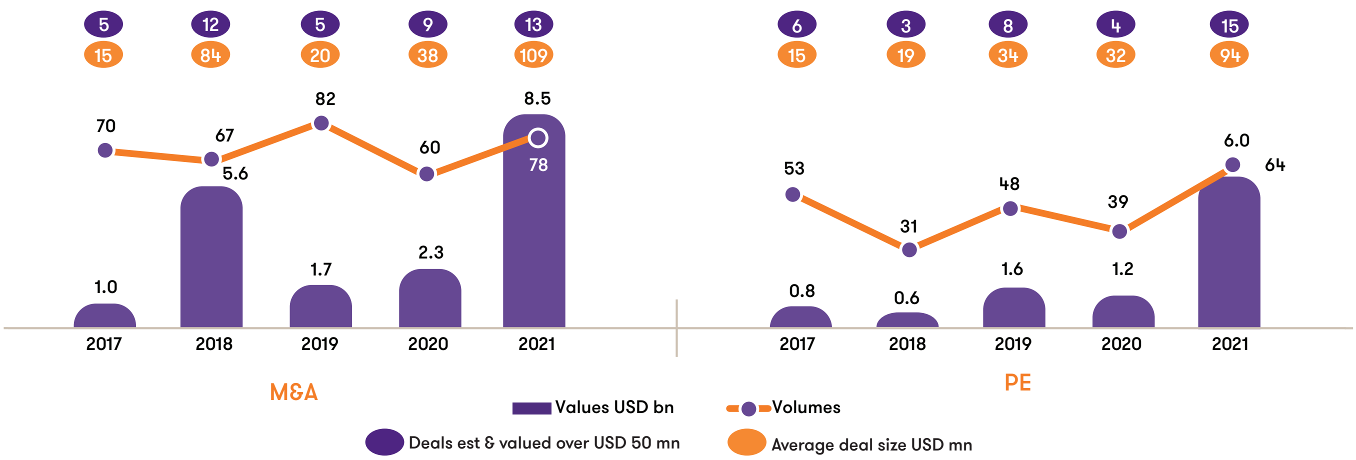
Naveen Malpani
Partner and National Sector Leader – Retail & Consumer, Ecommerce
Grant Thornton Bharat

The e-commerce sector is expected to have a healthy rate of ~ 25% to 30% growth over the next five years. With fierce market competition, the big players in the e-commerce sector would be looking for both, organic and inorganic growth. All the e-commerce companies are looking to become a one-stop shop for all the consumer needs and, hence, have been on an acquisition spree.

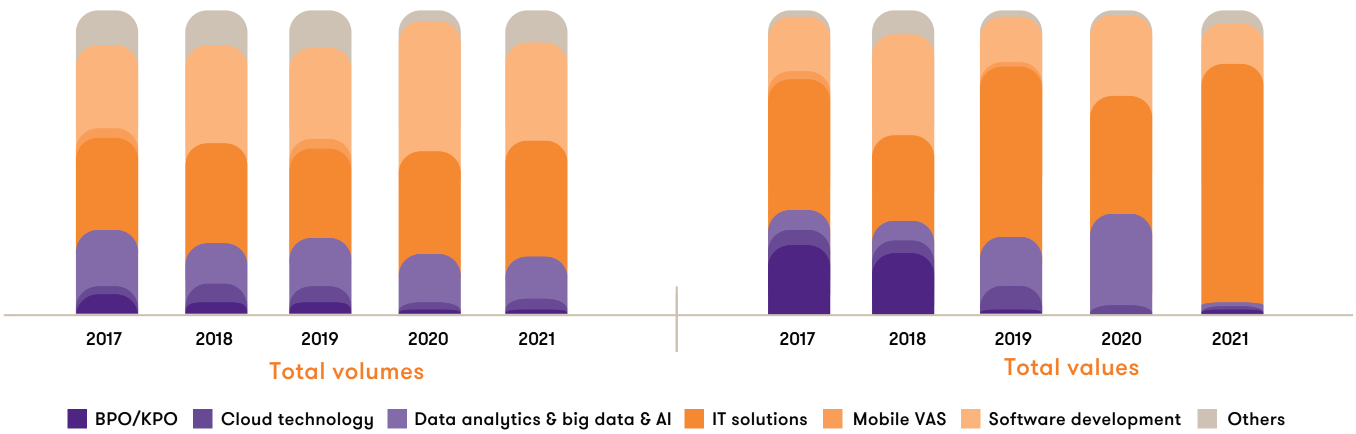
With increased penetration of cheap internet increasing at a CAGR of 45%, with smart phones and a favourable ratio of working population, the sector will meet its growth expectations. The sector will see a lot of consolidation in the coming year since there has been growth of multiple unicorns operating in India who have a massive backing of investors, ready to fuel their growth."

IT & ITeS

Year-on-year deal trends



Sub-sector classification



Top M&A deals

The top five deals accounted for 83% of the total sector M&A deal values

Acquirer	Target	Sub-sector	% stake	USD mn
Prosus N.V.-PayU	IndiaIdeas.com Ltd-BillDesk	IT Solutions	100%	4,700
Wipro Ltd	Capco	IT Solutions	100%	1,450
Polygon technology	Mir Protocol	Others	100%	400
Modern Times Group	PlaySimple Games Pvt Ltd	Software development	100%	360
Iron Mountain Inc.	Web Werks India Pvt Ltd	IT Solutions	N.A.	150

Top PE deals

The top five deals accounted for 71% of the total sector PE deal values

Investor	Investee	Sub-sector	% stake	USD mn
Three Blackstone affiliate funds	Mphasis Ltd	IT Solutions	55.3%	2,084
Baring Private Equity Asia	Hinduja Global Solutions (HGS) Ltd-Healthcare business	IT Solutions	100.0%	1,200
Lone Pine Capital, Alkeon Capital, TCV, Tiger Global, Sequoia Capital India, GIC and Y Combinator	Razorpay Software Pvt Ltd	Software development	N.A.	375
Fidelity Management & Research Co, BlackRock, IIFL AMC, Neuberger Berman Investment Advisers, Ishana, Tree Line,	Pine Labs Pvt Ltd	IT Solutions	N.A.	315
Baron Capital Group, Duro Capital, Marshall Wace, Moore Strategic Ventures, Ward Ferry Management, Temasek, Lone Pine Capital and Sunley House Capital	Pine Labs Pvt Ltd	IT Solutions	N.A.	285

Grant Thornton Insights

Raja Lahiri
Partner and National Sector Leader – TMT
Grant Thornton Bharat

With digital and tech leading and transforming businesses across the globe, investors and companies are pivoting on this change to invest and buy companies enabled by technology at a rapid pace taking the M&A and PE deals value to USD 14.5 billion in 2021, with deal value surging over four times over 2020.

M&A tech deals market witnessed some of the landmark acquisitions like PayU's acquisition of BillDesk (USD 4.7 bn) and Wipro's acquisition of Capco, digital consulting company (USD 1.45 bn). We also saw all the top Indian technology service players like Infosys, TechMahindra, HCL, etc. continuing to grow inorganically in areas of digital consulting, healthcare technology and cyber security services.

As far as PE tech deals goes, PE investors were on an investment spree to acquire and invest in tech services focused on healthcare, life sciences, cloud, big data and cyber security. Most of the top PE investors including Blackstone, Carlyle, Barings Asia, Sequoia capital, etc. were active in investing in tech deals which includes Barings Asia's buy-out of Hinduja Global's healthcare BPO business. Private equity and venture capital investors will continue to invest and accelerate their investments in tech sector and tech deals are expected to lead in 2022.

Further, with IPO market also at an all-time high, this augurs very well for PE exits as well and PE deal momentum will continue to drive up M&A and listings in the tech sector. In 2021, the Indian IPO market also saw one of the largest IPO with Zomato's public listing along with Freshwork's listing at NASADQ and this in my view paves the way for many more listings of new age companies.

Indian tech companies will surely aspire to be global and one of the key drivers would be inorganic growth, both in India and cross-border. Mid-market tech services will also see M&A action and interest from overseas tech majors as this segment will consolidate to bring in size and scale.

As businesses transform through technology, flow of capital and money is expected to follow this transformation and has commenced Indian tech players golden decade. Indian tech companies are expected to take the global stage by storm and so, 2022 will surely offer us tremendous deal activity in tech sector.

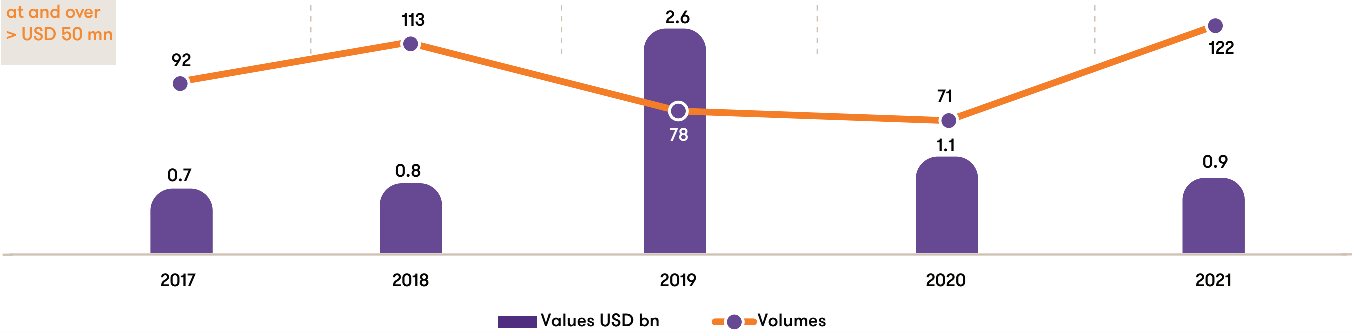
Start-up

M&A deal trends

2021 saw a positive trend with 73% growth in the start-up M&A volumes, recording 122 transactions valued at USD 857 million. This was driven by the opportunities thrown by the pandemic for companies to combine their strength and leverage technology. It has also led several businesses to shift from conventional methods to entirely digitally-driven operations, thereby creating better avenues for market forces. Overseas investment from leading tech companies, such as Vitol Group, Youtube and Stripe Inc, among others into the Indian start-up ecosystem indicates the huge potential of the domestic market.

2021 also witnessed Thrasio-style start-ups, this category of companies specialises in acquiring fast-growing digital-first brands and scaling their products and providing a full exit to the entrepreneurs over time. A number of start-ups have spawned in India in the past year to replicate Thrasio's model, which has become a success in the country through various ventures, such as Mensa Brands, GlobalBees, 10Club, Upscalio, Evenflow, Powerhouse91 and GOAT Brand Labs. These brands executed 28 M&A deals during the year.

	2017	2018	2019	2020	2021
Top deals	**USD 250 mn** PropTiger-Housing.com	**USD 100 mn** Olacabs-Vogo Automotive	**USD 2 bn** RA Hospitality Holdings-Oyorooms	**USD 350 mn** Zomato-Uber eats	**USD 75 mn** Tata Digital-Curefit
No. of deals est & valued at and over > USD 50 mn	1	2	2	4	4



Top sector by value

2017	2018	2019	2020	2021
35% Real estate tech	34% Travel, transport & logistics	78% Travel, transport & logistics	36% Ed-tech	22% Retail
12% Discovery platform	12% Fintech	8% Retail	33% Travel, transport & logistics	22% Health tech

Top sector by volume

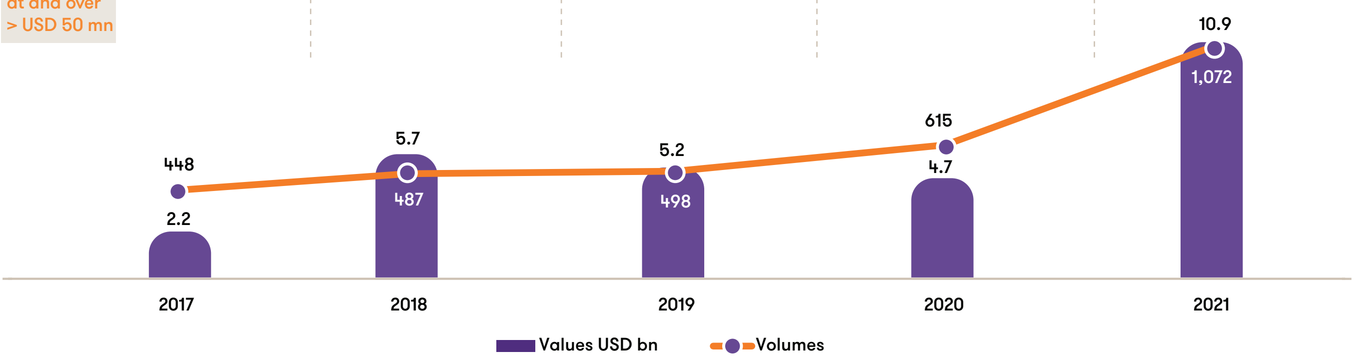
2017	2018	2019	2020	2021
14% Discovery platform	19% Fintech	17% Enterprise applications and infrastructure	17% Ed-tech	21% Fintech
12% Enterprise applications and infrastructure	16% Travel, transport & logistics	12% Data Analytics & Big Data & AI	12% Retail	20% Retail

PE deal trends

The total value of private equity and venture capital deals involving new ventures jumped over 2.3 times, raising nearly USD 11 billion, with as many as 1,072 deals, a record in terms of deal values and volumes. The deal volumes were 74% higher than 2020 volumes. The year witnessed 25 investments valued at and over USD 100 million, totaling USD 5.2 billion and 22 deals valued between USD 50 million and USD 99 million, totaling USD 1.5 billion, driving the deal values.

The inflow of funds from overseas investors, such as TPG, Tiger Global, Coatue Management, among several others and encouraging support from domestic investors, family offices and HNI's in the Indian start-up ecosystem signals the immense potential of the domestic market. On the other hand, early-stage funding drove the volumes. Further the start-ups in India have mushroomed, owing to friendly government policies and with the increased tech-push due to the pandemic.

	2017	2018	2019	2020	2021
Top deals	**USD 250 mn** OYORooms.com	**USD 1000 mn** Swiggy.com **USD 1000 mn** Oyo rooms	**USD 585 mn** Udaan	**USD 700 mn** PhoenPe	**USD 1000 mn** Tata Motors Evolve To Electric Company
No. of deals est & valued at and over > USD 50 mn	6	18	24	19	47



	2017	2018	2019	2020	2021
Top sector by value					
	24% Travel, Transport & Logistics	24% Food tech	27% Retail	36% Fintech	41% Fintech
	15% Enterprise Applications & Infrastructure	23% Travel, Transport & Logistics	19% Fintech	10% Edtech	13% Autotech
Top sector by volume					
	15% Enterprise applications & Infrastructure	18% Fintech	15% Fintech	17% Fintech	18% Fintech
	14% Fintech	14% Retail	15% Retail	11% Retail	15% Retail

Top M&A deals

Acquirer	Target	Sub-sector	% stake	USD mn
Tata Digital Pvt Ltd	Curefit Healthcare Pvt Ltd	Health-tech	NA	75
Vitol Group	SUN Mobility Private Ltd	Auto-tech	NA	50
Zomato Media Pvt Ltd	Curefit Healthcare Pvt Ltd	Health-tech	6%	50
Kotak Mahindra Bank Ltd	KFin Technologies Pvt Ltd	Fin-tech	10%	42
API Holdings Pvt Ltd-Pharmeasy	Akna Medical Pvt Ltd-Aknamed	Health-tech	NA	42

Top PE deals

Investor	Investee	Sub-sector	% stake	USD mn
TPG Rise Climate and ADQ	Tata Passenger Electric Mobility Ltd	Auto Tech	NA	1,014
Tiger Global Management, Dragoneer Investment Group, Steadfast Capital, Coatue Management, Insight Partners, Sequoia Growth, Ribbit Capital and Amplo	Resilient Innovations Pvt Ltd-BharatPe	Fin Tech	NA	370
Octahedron Capital, Moonstone Capital, Lightspeed Venture Partners, DST Global, GGV Capital, Altimeter Capital, and Tencent	Hiveloop Technology Pvt Ltd-Udaan	Retail	NA	280
a16z, Coinbase Ventures, Paradigm, Ribbit Capital, Sequoia Capital and Tiger Global	Bitcipher Labs LLP-CoinSwitch Kuber	Fin Tech	NA	260
General Atlantic, Multiples Private Equity, anada Pension Plan Investment Board, Lightspeed, Intact Ventures and Munich Re Ventures	Acko General Insurance Ltd	Fin Tech	NA	255

Start-up funding

Start-ups raising multiple rounds of funding in the last three years (2019-2021)

Company	Funding round	Funding raised (USD mn)
Vogo Automotive Pvt Ltd	7	47
Hella Infra Market Ltd-Infra.Market	6	274
Instoried Research Labs Pvt Ltd	6	19
Ola Electric Mobility Pvt Ltd	6	564
Resilient Innovations Private Ltd-BharatPe	6	694
Aesthetic Nutrition Pvt Ltd-Power Gummies	5	8
Billionbrains Garage Ventures Private Ltd-Groww	5	392
Bunch Microtechnologies Pvt Ltd-Classplus	5	88
Expertrons Pvt Ltd	5	14
Gensol Mobility Pvt Ltd-Blu-Smart Mobility Pvt Ltd	5	42
GHV Advanced Care Private Ltd-Pristyn Care	5	166
Neblio Technologies Pvt Ltd-CoinDCX	5	112
Smoot Tag Technologies Pvt Ltd-KIKO TV	5	10
Sorting Hat Technologies Private Ltd-Unacademy	5	313
Teachmint Technologies Pvt Ltd	5	121
Terrals Technologies Pvt Ltd-Phable	5	15
Zetwerk Pvt Ltd	5	332
Zorba Renaissance Pvt Ltd-SARVA	5	16

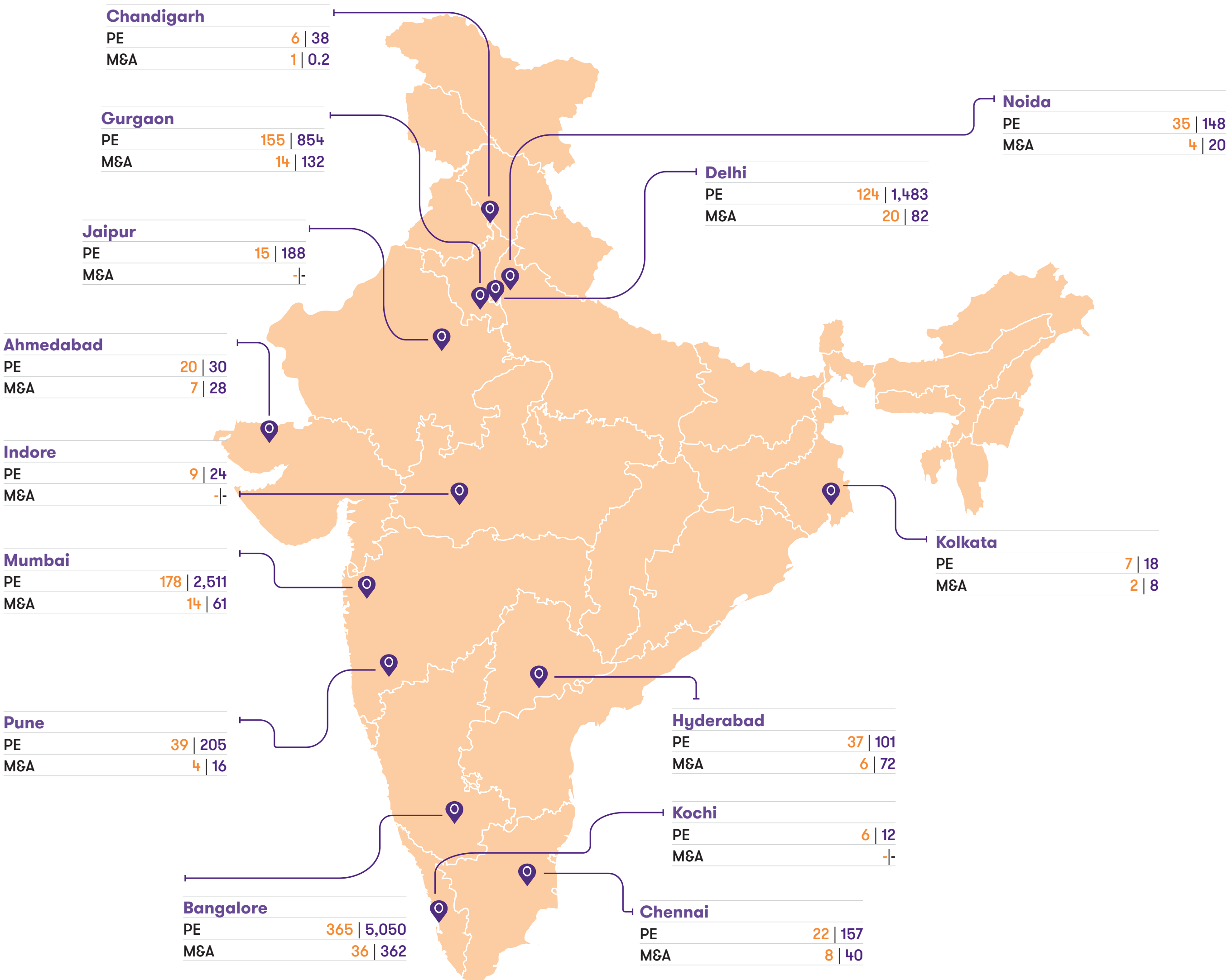
Start-ups that raised over USD 250 million funding in aggregate during 2019-2021

Company	Funding round	Funding raised (USD mn)
Hiveloop Technology Pvt Ltd-Udaan	3	1,165
Tata Passenger Electric Mobility Ltd	1	1,014
PhonePe Internet Private Ltd	1	700
Resilient Innovations Private Ltd-BharatPe	6	694
Dreamplug Technologies Pvt Ltd-Cred	4	667
Ola Electric Mobility Pvt Ltd	6	564
Acko General Insurance Ltd	4	416
Billionbrains Garage Ventures Pvt Ltd-Groww	5	392
Curefit Healthcare Pvt Ltd	4	382
Galactus Funware Technology Pvt Ltd-Mobile Premier League (MPL)	4	371
Zetwerk Pvt Ltd	5	332
Sorting Hat Technologies Pvt Ltd-Unacademy	5	313
CARS24 Services Pvt Ltd	3	303
Go Digit Infoworks Services Pvt Ltd-Digit Insurance	3	302
Bitcipher Labs LLP-CoinSwitch Kuber	3	300
Hella Infra Market Ltd-Infra.Market	6	274

Cities in focus

Bengaluru, Mumbai, Gurgaon and Delhi dominated the start-up ecosystem, both in terms of emerging start-ups and in attracting funds. They garnered a major chunk of the start-up funding and consolidation with 76% deal volumes and 90% sector values in 2021.

While tier 1 cities, such as Chennai, Hyderabad and Pune, continued to dominate the start-up space, tier 2 cities, including Ahmedabad, Goa, Jaipur, Kolkata, Kochi and Indore attracted PE investments. 2021 witnessed start-up focused deals across India including Roorkee, Ranchi, Rajgarh, Panchkula, Ghaziabad and Mysore, among other cities.



Volume | Value (USD mn)

Top sectors based on deal volumes

Start-up sub sector classification

M&A

Sub sector	Volumes 2019	Volumes 2020	Volumes 2021	Values USD mn 2019	Values USD mn 2020	Values USD mn 2021
Fin-tech	6	5	26	30	20	144
Retail	8	8	25	213	38	192
Ed-tech	2	12	13	10	397	49
Enterprise applications and infrastructure	13	6	11	77	24	44
Health-tech	7	4	8	31	90	190
Food-tech	1	2	6	1	6	30
Gaming	3	3	5	7	7	21
Media-tech	3	3	4	11	11	15
Data analytics, Big data and AI	9	2	3	45	5	15
Auto-tech	2	2	2	10	10	70
Travel, transport and logistics	7	4	2	2,026	365	10

PE

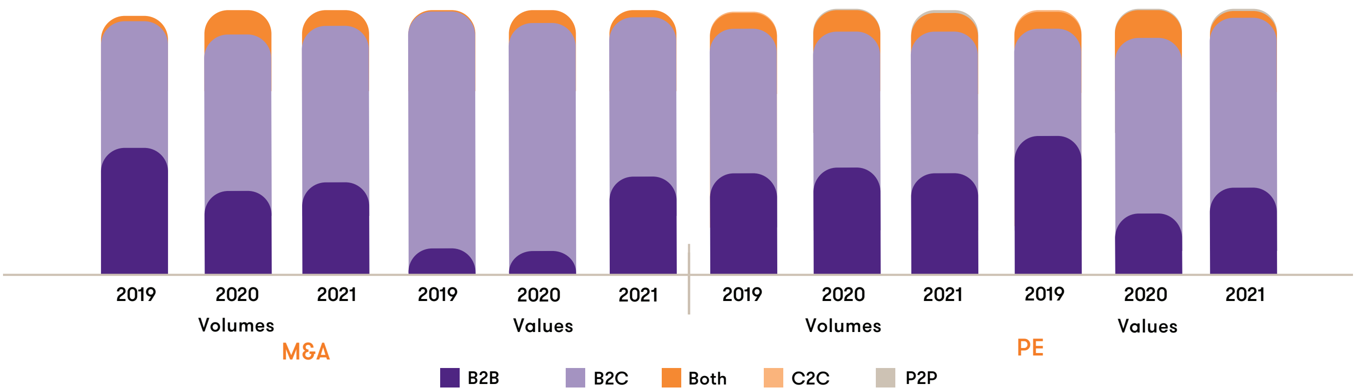
Sub sector	Volumes 2019	Volumes 2020	Volumes 2021	Values USD mn 2019	Values USD mn 2020	Values USD mn 2021
Fin-tech	77	102	197	978	1,695	4,436
Retail	77	70	156	1,429	301	1,371
Ed-tech	28	64	117	113	448	468
Enterprise applications and infrastructure	37	54	113	104	207	407
Health-tech	42	45	85	334	334	633
Travel, transport and logistics	46	36	54	830	258	476
Agri-tech	15	28	39	45	103	182
Auto-tech	9	17	36	421	242	1,396
On-demand services	17	23	34	181	239	117
Gaming	13	19	32	69	149	435
Media-tech	13	24	25	17	202	102
HR-tech	10	14	24	28	41	221
Networking platform	6	7	21	120	85	122

Volumes	2019	2020	2021
Values USD mn	2019	2020	2021

Start-up classification

Start-ups in the B2C segment dominated with 55% of the sector volumes garnering USD 7.5 billion. Majority of these start-ups were seen operating in the retail-tech, fin-tech and ed-tech platforms. Riding the digital wave, B2B e-commerce companies witnessed heightened interest from investors. Well-capitalised B2B ecommerce players, such as Bizongo, Udaan, Medikabazaar, Moglix, Ofbusiness and Inframarket, grabbed the market by helping raw material-starved businesses. These firms also raised considerable investment interest from institutional investors at high valuations. In 2021, B2B e-commerce players raised a record USD 3.8 billion across 444 M&A and PE deals. The year also witnessed start-ups catering to both B2B and B2C segments with 73% rise in such start-ups compared to 2020.

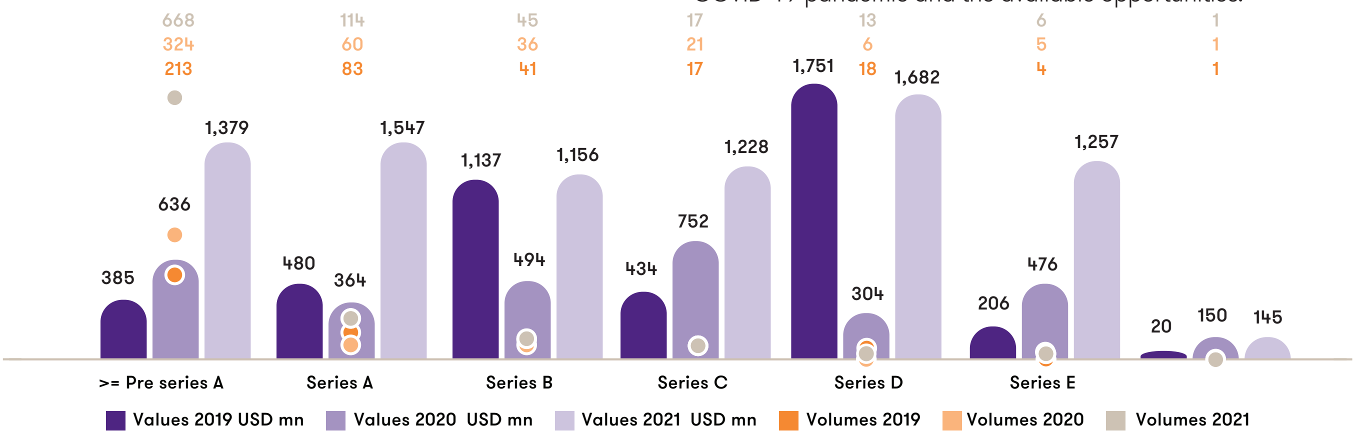
During the pandemic, access to consumer and industrial goods became difficult and drop in the cross-border exports and imports offered B2B and B2C e-commerce firms newer and bigger opportunities. Further, over the past two years, adopting digital-driven methods has become key for business growth. Such growing digital adoption by Indian consumers presents a lucrative opportunity for both B2B and B2C start-ups.



Funding series summary

2021 witnessed a huge jump in the early-stage funding, both in terms of volumes and values increasing over 2× compared to 2020. The average deal size across early-stage start-ups in India increased to USD 2.1 million from USD 1.9 million in 2020. The year also witnessed surge in the funding rounds of series A, B and D in both volumes and values terms. Late-stage funding has resulted in creating record number of unicorns in 2021.

With the overall statistics, PE/VC firms and start-ups remain optimistic with regards to the current and future impact of the COVID-19 pandemic and the available opportunities.



Unicorns

Year of incorporation	Unicorns
2016	Curefit Healthcare Pvt Ltd
2010	Eruditus Executive Education Pvt Ltd
2015	Mohalla Tech Pvt Ltd-Sharechat
2018	Resilient Innovations Private Ltd-BharatPe
2015	API Holdings Private Ltd-Axelia Solutions Private Ltd-Pharmeasy
2015	Valuedrive Technologies Private Ltd-Spinny
2020	Bitcipher Labs LLP-CoinSwitch Kuber
2014	UrbanClap Technologies India Pvt Ltd-Urban company
2016	Acko General Insurance Ltd
1984	Five Star Business Finance Ltd
2015	GaragePreneurs Internet Pvt Ltd-SlicePay
2018	Dreamplug Technologies Pvt Ltd-Cred
2014	NoBroker Technologies Solutions Pvt Ltd
2014	Droom Technology Pvt Ltd-Droom.in
2011	Rebel Foods Pvt Ltd (Faasoos)
2015	OFB Tech Pvt Ltd-OfBusiness
2018	Galactus Funware Technology Private Ltd-Mobile Premier League (MPL)
2018	Zetwerk Pvt Ltd
2015	The Good Glamm Group
2021	Mensa Brands
2015	Mogli Labs (India) Pvt Ltd-Moglix
2016	Hella Infra Market Ltd-Infra.Market
2019	Apnatime Tech Private Ltd-Apna.co
2011	Vedantu Innovations Pvt Ltd
2017	Neblio Technologies Pvt Ltd-CoinDCX
2018	GHV Advanced Care Private Ltd-Pristyn Care
2017	Billionbrains Garage Ventures Private Ltd-Groww
2015	Zinka Logistics solutions Pvt Ltd-Blackbuck
2015	Delightful Gourmet Pvt Ltd-Licious
2015	upGrad Education Private Ltd
2011	RKSV Securities India Private Ltd-Upstox
2013	Grofers India Pvt Ltd
2016	Go Digit Infoworks Services Pvt Ltd-Digit Insurance

Grant Thornton Insights

Raja Lahiri
Partner and National Sector Leader – TMT
Grant Thornton Bharat

2021 was a landmark year for the Indian start-up ecosystem with funding recording an all-time high of around USD 11 billion and birth of 33 unicorns. This has taken India to the third place globally with largest number of unicorns added in 2021, after US and China.

The shift to digital has been on the cards for the last five years and with the pandemic, this has accelerated with super-sonic speed in 2021 with investors pouring in money to the starts-ups which are shaping the new digital India.

Investments have been made in tech-led start-ups and covers; digital payments and fin-tech; e-commerce players, both B2C and B2B; SAAS players; edu-tech; media-tech; health-tech and agri-tech .

Some of the key active investors included Sequoia Capital, Tiger Global, SoftBank Group and Accel. The unicorns were across sectors and covered fin-tech, edu-tech, e-commerce and also the emerging crypto sector as well, which included the following names (indicative only and not an exhaustive list):

1. Fin-tech: CRED, Groww, Zeta, BharatPe, Mobikwik, Upstox
2. Edu-tech: Byju's, Eruditus, upGrad and Vedantu
3. Crypto: CoinDCX and CoinSwitch Kuber
4. B2B commerce: Infra. Market, Moglix, ofBusiness and Zetwerk

With record number of unicorns being added in 2021, the year also witnessed many start-up IPOs, such as Zomato, Nykaa, PolicyBazaar and Paytm. This trend in public listing augurs very well for the investor community as well and will pave the way for a vibrant IPO market, which provides great exit opportunity for investors.

The rising investment in the start-up sector, as well the rise of unicorns from India, is expected to continue in 2022 as India marches ahead with spirit and energy of start-ups entrepreneurs, confidence of global and Indian investors as well as the government's focus and encouragement for start-ups. One would also expect investment flowing into deep-tech start-ups and innovators of tomorrow, including space-tech, cyber security, AI, IoT and business automation.

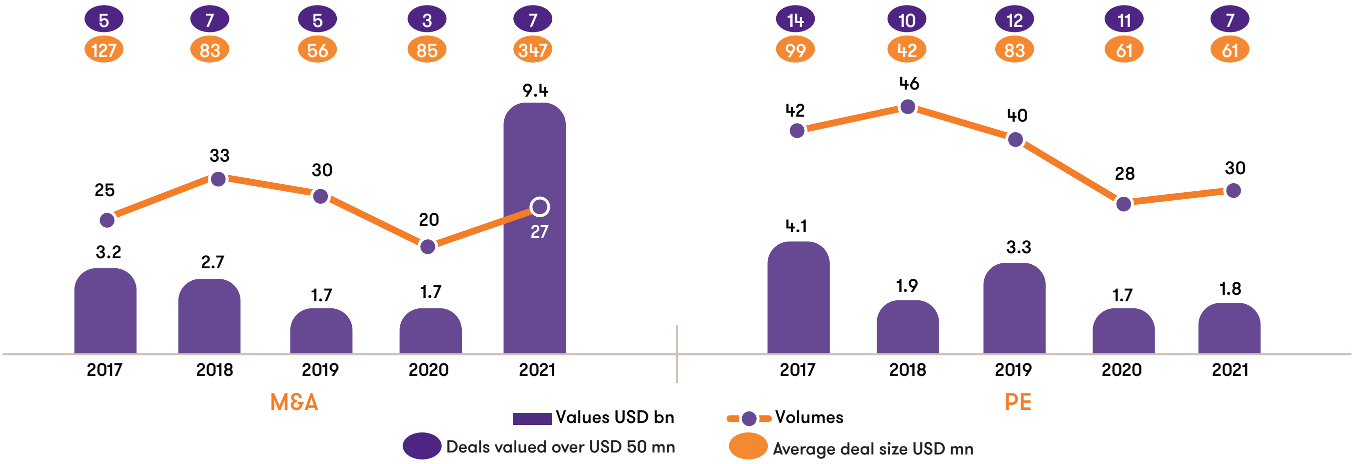
While the investment climate will remain very encouraging, businesses would need to carefully focus on unit economics diligently as they scale their business and focus on generating sustainable cash flows.

Moreover, the regulatory environment needs to be even more conducive for start-ups and focus on ease of doing business as well as conductive tax policies, including creating a regulatory change to provide an option for direct overseas listing for Indian start-ups.

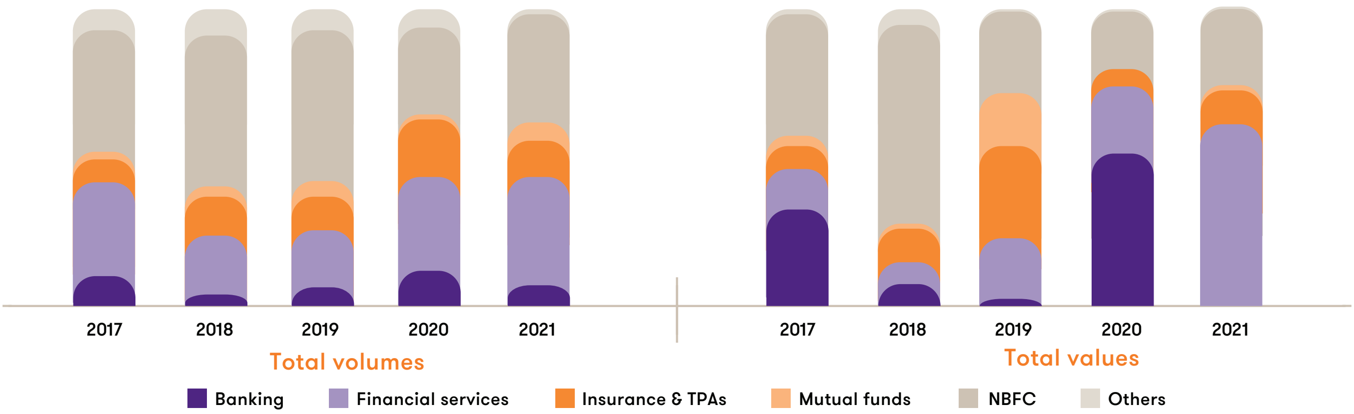
Many of the unicorns and start-ups will explore India as well as overseas listings in 2022 and many of the Indian start-ups will be well-positioned to be truly global players and we can expect 2022 to be another landmark year of Indian start-ups truly stirring up the deal ecosystem.

Banking and financial services

Year-on-year deal trend



Sub-sector classification



Top M&A deals

The top five deals accounted for 95% of the total sector M&A deal values

Acquirer	Target	Sub-sector	% stake	USD mn
Piramal Capital & Housing Finance Ltd	Dewan Housing Finance Corporation Ltd	Financial services	100%	5,103
Sumitomo Mitsui Financial Group, Inc	Fullerton India Credit Company Ltd	NBFC	75%	2,000
HDFC Life Insurance Company Ltd	Exide Life Insurance Co. Ltd	Insurance and TPAs	100%	904
Rising SUN Holdings Pvt Ltd	Magma Fincorp Ltd	NBFC	60%	439
HSBC Asset Management (India) Private Ltd	L&T Investment Management Ltd	Financial services	100%	425

Top PE deals

The top five deals accounted for 73% of the total sector PE deal values

Investor	Investee	Sub-sector	% Stake	USD mn
Carlyle Group and Salisbury Investments Pvt Ltd	PNB Housing Finance Ltd	Financial Services	NA	533
PAG	Edelweiss Wealth Management	Financial Services	51.5%	324
Sequoia Capital India, Norwest Venture Partners, KKR and TVS Capital	Five Star Business Finance Ltd	NBFC	NA	234
GIC, The Capital Group and investors	Star Health & Allied Insurance Co. Ltd	Insurance and TPAs	NA	164
ICICI Venture and Morgan Stanley Private Equity Asia, Cyza Chem Pvt Ltd and two family offices	Magma HDI General Insurance Co Ltd	Insurance and TPAs	NA	72

Grant Thornton Insights

Khushroo B. Panthaky
Chartered Accountant
Mumbai

Banking

While 2020 was a year of slowdown due to the pandemic and regulatory forbearance, 2021 was a year of recovery with increased vaccine availability. Although inflation continued to exist on account of supply side issues, the accommodative monetary policy has played a significant balancing role to aid recovery. As balance sheets are being prepared, fund-raising will be an area of focus in 2022, given that the real economy is now adapting to the process of living with the COVID-19 pandemic and there is an expectation of credit demand to surge. More consolidation could be in the offing, given that the weaker banks would merge with the stronger ones to further enhance consumer trust in the banking system. Digital will continue to be the preferred delivery channel and more transformational initiatives will continue to be an area of focus. SMEs would be the key driver for growth and this space will see a lot of lending partnerships within the fin-tech ecosystem.

Life insurance

There has been a single digit growth in 2021 in the first-year premium of life insurers, as compared to 2020. The market share of LIC of India was near to 2/3rd in the total first year premium and around 70% in the number of new policies issued. Young adults suffered higher mortality during the second wave of the pandemic, as compared to the first wave. Death claims due to the COVID-19 pandemic were much higher as compared to normal claims, resulting in a strain on the life-insurance business. Guaranteed plans became popular despite of lower rate of returns, as compared to the other financial products, as they offer life insurance cover as well for protection, which is of importance, especially during the ongoing pandemic. With a higher level of awareness already created on the advantages of having term life and protection policies, life insurance industry is set on the path of growth.

The year witnessed HDFC Life acquiring Exide Life Insurance for a total consideration of INR 6,687 crore. This acquisition is expected to help HDFC Life strengthen its presence in Southern India, a region where Exide Life has a strong foothold.

Digital transformation within life insurance has gone from talk to action, with a momentum that shows no signs of slowing down. Innovative technology trends enable insurers to make strategic decisions based on a set of data that continuously updates in real-time, thereby leveraging Artificial Intelligence (AI) to bring automated efficiency to insurers while delivering the best possible experience to the insured user.

Non-life insurance

The Gross Written Premium recorded a growth of 11.72% for the period April 2021 to November 2021 over the corresponding period of 2020, which is attributed to the robust demand, especially in health and personal accident segments. In August 2021, the Parliament passed the General Insurance Business (Nationalisation) Amendment Bill, which aims to allow privatisation of state-run general insurance companies. The Union Budget 2021 increased FDI limit in insurance companies from 49% to 74%. The Government of India undertook many initiatives to boost up the insurance industry, which includes signing an agreement with the World Bank for a USD 40 million project to advance the quality of health services in Meghalaya and boost up its health insurance programme. Further, the Union Cabinet approved an investment of INR 6,000 crore into entities offering export insurance cover to facilitate additional exports worth INR 5.6 lakh crore over the next five years. There have been large M&A, PE and funding deals in the insurance sector to the likes of Swiss Re, Star Healh, Allied Insurance Co Ltd and Magma HDI General Insurance, along with Singapore's GIC Private Ltd leading the pre-IPO funding round with INR 600 crore investment in health insurance.

Non-Banking Finance Companies (NBFCs)

NBFCs play an important role in the Indian financial markets. They have navigated the challenges in the past couple of years by focusing on higher liquidity, capital and provisioning buffers. These, combined with improving economic activity, have put the sector in a comfortable position to capitalise on growth opportunities. Although the second wave of the pandemic has prolonged the recovery of some asset segments, such as business loans and microfinance, the NBFCs are expected to see a rise in their AUMs by 8-10% next fiscal, compared to an estimated 6-8% during the current fiscal and 2% during the last fiscal. The asset quality performance will drive the sector's fortunes, going forward.

Further, RBI has clarified that the loan accounts classified as NPAs could be upgraded to 'standard' assets only if the entire arrears of interest and principal were paid by the borrower. The monthly collection efficiency ratio of NBFCs has seen an improvement across segments during the quarter ended September 2021. The quantum of restructuring done under the RBI Resolution Framework 2.0 is more than that logged, last year. The performance of this book after the moratorium is monitorable as it mostly involved offering a moratorium.

Recently, similar to banking companies, RBI introduced the Internal Ombudsman Scheme for certain categories of NBFCs having higher customer interface to examine customer complaints in terms of nature of deficiency in services. The phased lockdowns have not only impacted the collection ability of lenders but also the income-generating ability of the borrowers. In response to an RTI query, the Micro Units Development & Refinance Agency (Mudra) stated that the ratio of gross non-performing assets/bad loans to the loans outstanding under the Pradhan Mantri Mudra Yojana (PMMY) stood at 11.98% as of March 31, 2021.

In the wake of rising COVID-19 cases across the country and primarily due to the possibility of localised lockdowns, NBFCs and housing finance companies may see a fall in securitisation volumes in the current fiscal. The securitisation transactions are estimated in the range of INR 1 lakh crore to 1.1 lakh crore, which is lower than the estimates but higher than the volumes of FY 21. According to the recent financial stability report released in December 2021, during April 2021 and the first week of December 2021, the credit disbursal grew to 7.1 percent as against 5.4 percent growth, a year back. The growth in wholesale credit is way behind the retail credit, which is recording double-digit growth, however, the pace of growth remains below the pre-pandemic level.

In December 2021, RBI issued a Prompt Corrective Action (PCA) framework for NBFCs to enable supervisory intervention into troubled lenders at an appropriate time and to restore their financial health. Unlike banks, no such frameworks were in place for NBFCs and this would now benefit in the resolution of financial troubles, such as instances of defaults being faced by them. This detailed framework will come into effect from 1 October 2022, based on the financial position of NBFCs on or after 31 March 2022. After the two waves of the COVID-19 pandemic, the NBFCs have accelerated the pace of customer acquisition through digital channels. They have largely focused on digital channels for loan applications and even for the approval processes, which has helped in business continuity and in processing larger volumes of applications with greater speed and efficiency. NBFCs would surely be an interesting channel to be seen over the next few years and would also be a significant source of funding economic growth.

Broking

During the past two years, there is a significant increase in the volume of trading/investing in equity, futures and options on account of the bull run witnessed in the stock markets. The stock brokerage industry in India clocked an income approximating INR 30,000 crore, which is around 35% to 40% higher, on a year-on-year basis. The brokerage revenue continued to move northwards. Although the Indian broking industry has a transaction fee model, it is structurally moving for a distinction between charges for transaction and fee-based model for services, such as wealth management and investment advisory. Apart from advisory services, the focus on fund-based activities, including margin funding and loan against shares, is on the rise, thereby enabling brokers to build sustainable earnings.

Technological innovation is a significant driver for increased participation of investors in equity markets. Improved financial awareness led to a 130% growth in the opening of DEMAT accounts. Increased smartphone users and high-internet speed with low data costs also led to increased participation of retail investors.

The shift of the trading platform from offline to online-offline mode increased the revenue generated by full-service brokers. However, full-service brokers are losing considerable market share to discount brokers. Market share of top-two prominent discount brokers, in terms of number of clients, has increased from 17% to 30% during a period of one year , reflecting the attraction of broking clients towards flat brokerage plans.

Mutual funds (MF) and asset management

In recent years, the growth of the Indian capital market has been phenomenal, which is truly reflected in the increase in the market cap, turnover, number of participants, product range, etc. The assets under management (AUM) of the mutual fund industry has almost doubled from INR 21 lakh crore in 2017-18 to INR 38 lakh crore as of November 30, 2021. Digital penetration, government targeting smart cities and increased data speeds are facilitating the drift of asset share towards smaller cities and towns. Increased retail contribution through SIPs shows the power of digital penetration in India. The total number of folios as of 30 November 2021 stood at INR 11.70 crore, while the number of folios under equity, hybrid and solution oriented schemes, wherein the maximum investment is from retail segment, stood at INR 9.52 crore. With increasing retail participation, there has been an increase in the regulatory oversight with specific emphasis on investor protection. Some of the regulatory measures taken in the recent past towards investor protection include risk-o-meter, revised risk management framework for mutual funds, skin in the game rules, etc.

Some disruptions/changes in the mutual fund space include:

- SEBI giving in-principal approval to launch MF schemes to Bajaj Finserv, Sachin Bansal backed Navi MF and the Broking firm Zerodha led by Nithin Kamath;
- SEBI allowing White Oak Capital to start MF business after it completed the acquisition of YES MF.
- Alchemy Capital Management, co-founded by Rakesh Jhunjhunwala, applying for a MF licence to SEBI
- NJ Wealth, one of the largest mutual fund distributors, entering the asset management business.

Fin-tech

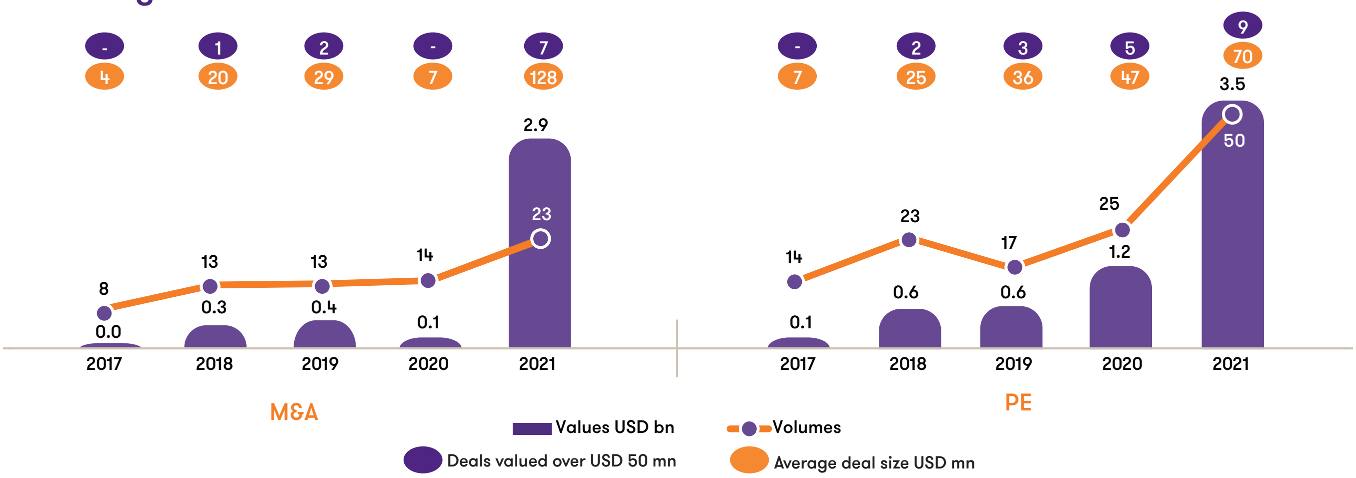
During 2021, Fin-tech raised USD 2 billion in H1 and the funding increased three-fold in H2, with 11 new unicorns and late-stage funding deals happening at 2 to 5x valuations. Given the rapidly evolving regulations, digital adoption and India setting new records in digital payments every month, the Fin-Tech wave will only get stronger in 2022. The funding trend will continue to be well-diversified across categories and use cases, be it payments, merchant/SME lending, consumer lending, BNPL, cards, brokerage platforms, Insur-Tech and neo banks. Collaboration between regulated entities and fin-tech, increased digital adoption and positive change in regulations will continue to make it a sector of major attraction for investor communities.

Start-ups in the financial services space

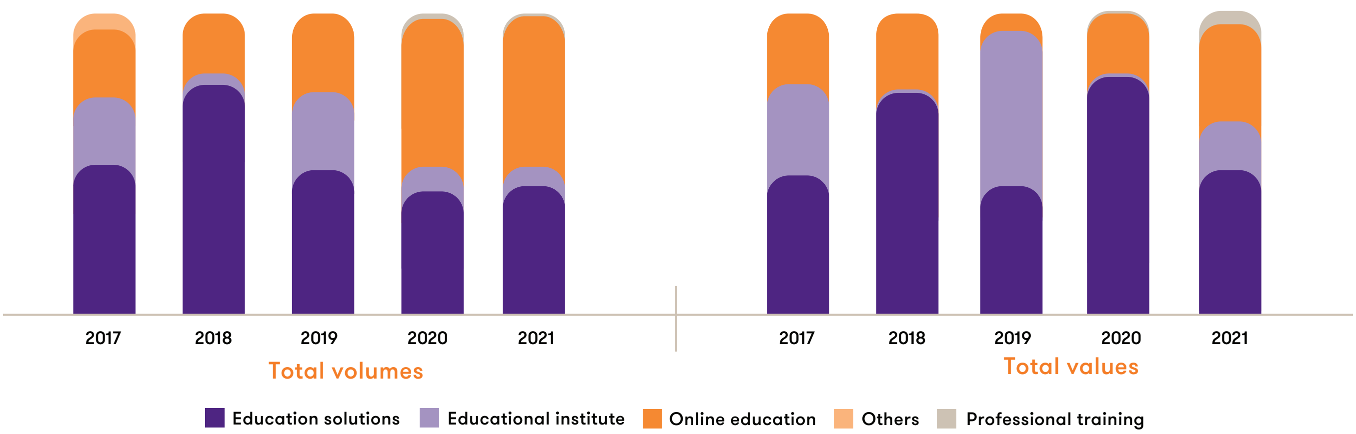
Out of the 40 start-ups-turned-unicorns, majority continue to be from the financial services space. Across wealth-tech, payments, lend-tech and crypto trading platforms, the tech-enabled platforms continue to be the investor's favourite. The magnitude of opportunities offered by India's growing ecosystem for start-ups within this space are unparallel, when compared with the rest of the world. Our unique digital infrastructure and the government's continued focus on innovation continues to enable growth of start-ups in this sector. During the coming years, one would witness significant operating model changes and interdiction of newer business models that never existed. Indeed, very exciting times ahead for start-ups in the financial services space.

Education

Year-on-year deal trend



Sub-sector classification



Top M&A deals

The top five deals accounted for 85% of the total sector M&A deal values

Acquirer	Target	Sub-sector	% stake	USD mn
Think & Learn Pvt Ltd-Byju's	Aakash Educational Services Ltd	Educational Institute	100%	1,000
Think & Learn Pvt Ltd-Byju's	Great Lakes E-Learning Services Pvt Ltd-Great Learning	Online Education	100%	600
Think & Learn Pvt Ltd-Byju's	Epic! Creations, Inc	Education Solutions	100%	500
Eruditus Executive Education	internalDrive, Inc-iD Tech	Education Solutions	100%	200
Think & Learn Pvt Ltd-Byju's	Neuron Fuel Inc-Tynker	Online Education	100%	200

Top PE deals

The top five deals accounted for 67% of the total sector PE deal values

Investor	Investee	Sub-sector	% stake	USD mn
Accel Partners, SoftBank Vision Fund 2, The Chan Zuckerberg Initiative, Leeds Illuminate, The Canada Pension Plan Investment Board and Prosus	Eruditus Executive Education Pvt Ltd	Education Solutions	NA	650
MC Global Edtech Investment Holdings LP, B Capital, Baron Global Advantage Fund, XN Exponent Holding, Arison Holdings, TCDS (India), and TIGA (India)	Think & Learn Pvt Ltd-Byju's	Education Solutions	NA	460
Baron Funds, B Capital Group, XN Exponent Holding, Arison Holdings, Tarsadia Capital and Macquarie Group	Think & Learn Pvt Ltd-Byju's	Education Solutions	NA	455
Temasek, Softbank Vision Fund, General Atlantic, Tiger Global Management, Mirae Asset Management, Aroa Ventures, and angel investors	Sorting Hat Technologies Private Ltd-Unacademy	Online Education	NA	440
UBS, Blackstone Group LLP, ADQ, Phoenix Rising and angel investor	Think & Learn Pvt Ltd-Byju's	Education Solutions	NA	350

Grant Thornton Insights

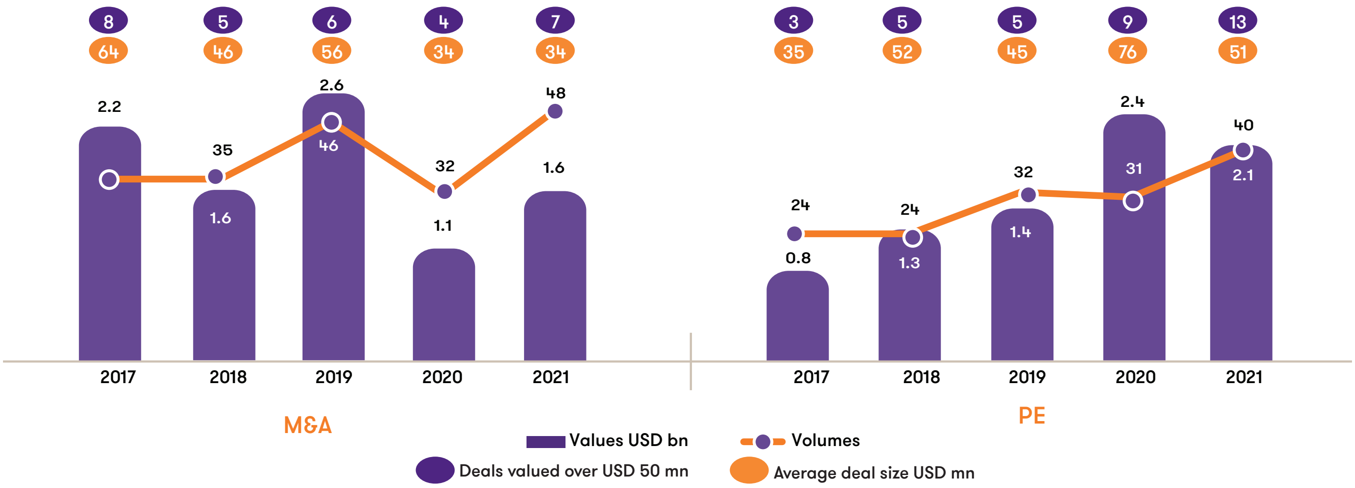
Rahul Kapur
Partner, Growth
Grant Thornton Bharat

A strong demographic component, a dynamic landscape driven by the pandemic and existence of reputed infrastructure puts India on the roadmap toward having one of the best education systems in the world. The pandemic has made internet a requirement and a focused policy-level push toward providing broadband access to India's underprivileged has augured well for online-based education across India. Furthermore, the increased collaboration between ed-tech firms and universities and schools has led to a shift in demand from ERP software to content-focused software and traditional institutions turning to ed-tech platforms for continuous education. Amongst other segments, classroom management, proctored examination tolls, school information management, enrollment automation services and content creation have gained significant traction in the education space.

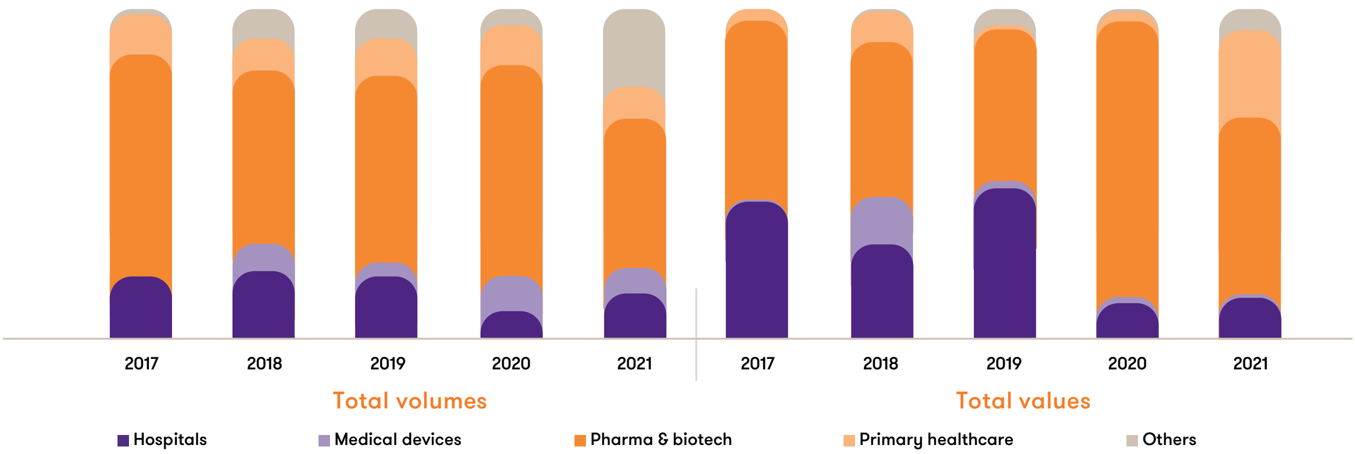
Indian education sector witnessed an 87% increase in deals compared to last year with investments worth USD 6.45 billion infused across businesses. The Indian education sector has garnered the interest of global investors and has emerged to be the one of the top three countries in the world, after China and USA, to get venture capital funding. Adding to the investor's interest, the National Eductaion Policy pushed India to become tech-integrated and contributed in bridging the educational gaps to make learning outcomes more refined and impactful. It further recommended implementing technology through app-based learning, unified student communitiesand improved lesson delivery modules. Going forward, the education sector of India is set to shift towards a hybrid learning model with an increase in investor interest towards newer operating models solving problems that still exist.

Pharma, healthcare and biotech

Year-on-year deal trend



Sub-sector classification



Top M&A deals

The top five deals accounted for 66% of the total sector M&A deal values

Acquirer	Target	Sub-sector	% stake	USD Mn
Docon Technologies Pvt Ltd	Thyrocare Technologies Ltd	Primary Healthcare	66%	623
Novozymes A/S	Synergia Life Sciences Pvt Ltd	Pharma & Biotech	60%	150
Dr. Lal PathLabs Ltd	Suburban Diagnostics India Pvt Ltd	Primary Healthcare	100%	125
Piramal Enterprises Ltd-Piramal Pharma Ltd	Hemmo Pharmaceuticals Pvt Ltd	Pharma & Biotech	100%	106
Universal Nutriscience Pvt Ltd	Sanofi India Ltd-Nutraceuticals business	Pharma & Biotech	100%	78

Top PE deals

The top five deals accounted for 57% of the total sector PE deal values

Investor	Investee	Sub-sector	% stake	USD mn
Multiples Alternate Asset Management, Canada Pension Plan Investment Board and Zenex Animal Health India	Zydus Animal Health and Investments Ltd-Zydus AH	Pharma & Biotech	100%	395
NIIF Strategic Opportunities Fund	Manipal Health Enterprises Private Ltd	Hospitals	N.A.	288
Advent International	ZCL Chemicals Ltd	Pharma & Biotech	80%	221
PAG	Acme Formulation Pvt Ltd	Pharma & Biotech	N.A.	145
TPG Growth, Route One, Think Investments and the Mankekar Family	Stelis Biopharma Pvt Ltd	Pharma & Biotech	N.A.	125

Grant Thornton Insights

Bhanu Prakash
Partner and National Leader – Healthcare and Life sciences
Grant Thornton Bharat

There is significant investor interest in the sector in the wake of the pandemic. While there was a 40% increase in the total deal activity from 63 in 2020 to 88 in 2021, there was a nominal increase of 8% in total deal value. The growth was led by an 119% increase in domestic M&A value in contrast with a 49% decline in cross-border M&A.

Biotech and pharma segment continues to account for the bulk of M&A and PE deals, in volume terms, as companies look to expand to new markets, grow in developed markets, future-proof their operations from global manufacturing and supply-chain shocks. Large companies have gone for strategic acquisitions/divestitures to focus on their core offerings and arrange growth capital. PE investors have exhibited confidence in the segment, especially in advanced products, biopharma and novel therapeutics.

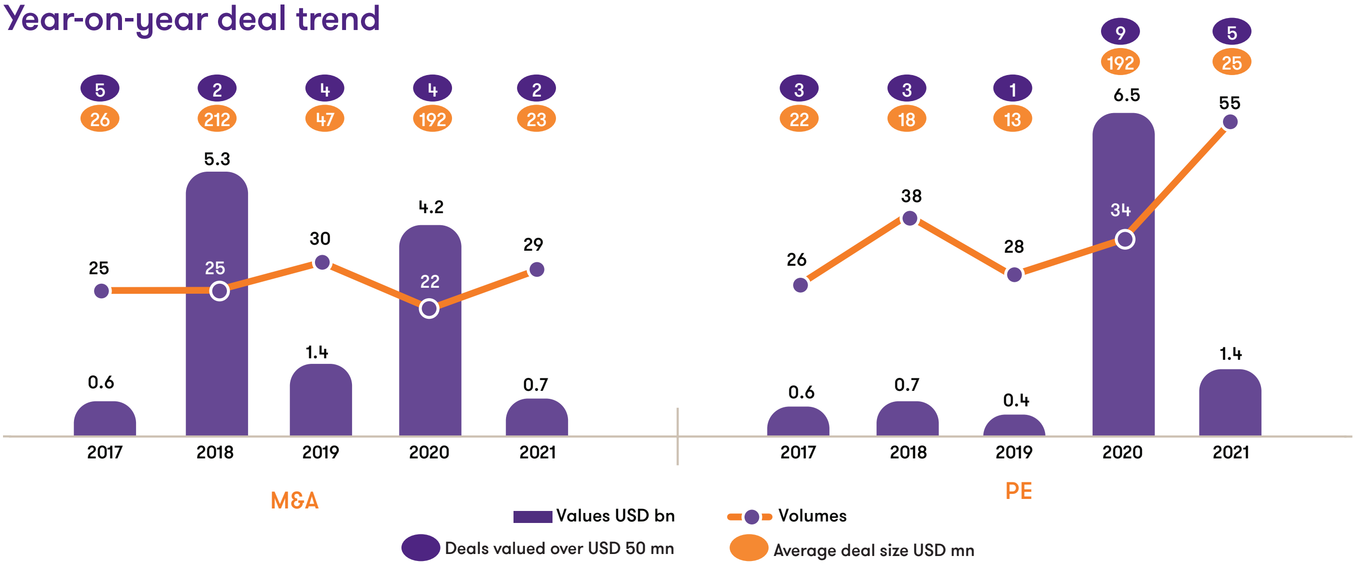
The diagnostics segment gained significant traction this year and accounted for more than half of M&A deal value owing to the large ticket size. It witnessed the controlling stake acquisition by Pharmeasy in Thyrocare, Dr Lal PathLabs acquisition of Suburban Diagnostics, and Metropolis acquisition of Hitech Diagnostic Centre. PEs interest in hospitals continued.

In 2022, biotech, pharma and medical devices are expected to grow in double digits. Capacity expansion in APIs, medical devices, research-led businesses, biotech segment are expected to further drive investor interest in this sector. Government support in line with AatmaNirbhar Bharat vision, such as the PLI schemes will further fuel this growth. Many Indian pharma companies are also looking for access to or strengthen their presence in developed markets through acquisition of brands, products and technology in those markets.

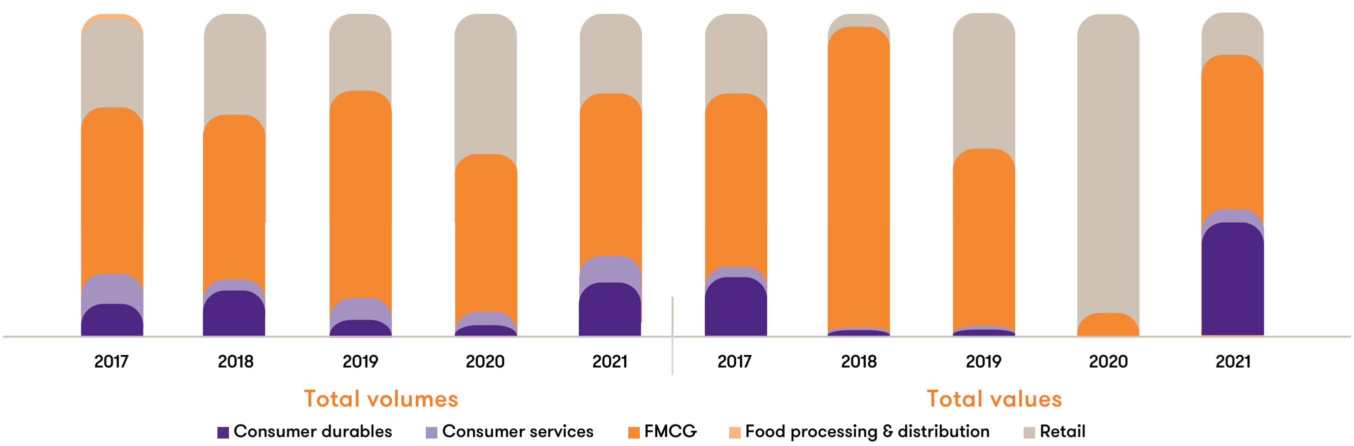
The healthcare sector in India is expected to be a USD 372 billion market by 2022 and the government's expenditure on public health is expected to increase from current 1.2% of GDP to 3% of GDP over next few years. Healthcare sector will continue to see deal momentum with factors such as shortage in healthcare infrastructure, rise in lifestyle diseases, penetration of insurance, opportunity to capture the fragmented and underpenetrated markets. Inorganic growth by leading players is also expected to pike investors' interests. The government's focus on availability, accessibility and affordability is expected to attract private investments in healthcare. The use of technology to improve healthcare access and optimise delivery costs is expected to result in positive deal sentiments.

Retail and consumer

Year-on-year deal trend



Sub-sector classification



Top M&A deals

The top five deals accounted for 78% of the total sector M&A deal values

Acquirer	Target	Sub-sector	% stake	USD mn
Twin Star Technologies Ltd	Videocon Industries Ltd	Consumer Durables	100%	406
Aditya Birla Fashion and Retail Ltd	Sabyasachi Couture Pvt Ltd	Retail	51%	55
Kirin Holdings Company	B9 Beverages Pvt Ltd-Bira 91	FMCG	N.A.	30
Tata Consumer Products Ltd	Kottaram Agro Foods Pvt Ltd-Soulfull	FMCG	100%	21
V-Mart Retail Ltd	Arvind Lifestyle Brands Ltd-Unlimited	Retail	100%	20

Top PE deals

The top five deals accounted for 67% of the total sector PE deal values

Investor	Investee	Sub-sector	% stake	USD mn
KKR & Co.	Vini Cosmetics Pvt Ltd	FMCG	NA	625
Warburg Pincus	Imagine Marketing Pvt Ltd-boAT	Consumer Durables	NA	100
Quadria Capital	Nobel Hygiene Pvt Ltd	FMCG	18.7%	68
South Lake Investment	Imagine Marketing Pvt Ltd-boAT	Consumer Durables	21.1%	60
Norwest Venture Partners	Duroflex Pvt Ltd	Consumer Durables	NA	60

Grant Thornton Insights

Naveen Malpani
Partner and National Sector Leader – Retail & Consumer, Ecommerce
Grant Thornton Bharat

The Indian retail sector is gradually finding its footing after a tough pandemic year. Third quarter of 2021-22 saw immense growth with increasing customer confidence, along with strong economic turnaround. Easing of lockdown restrictions and spearheading the massive vaccination drive have acted as catalysts in the economic progress of the country. One major concern faced by fast-moving consumer goods (FMCG) companies at the moment, is the increasing input cost that is creating stress on the profitability.

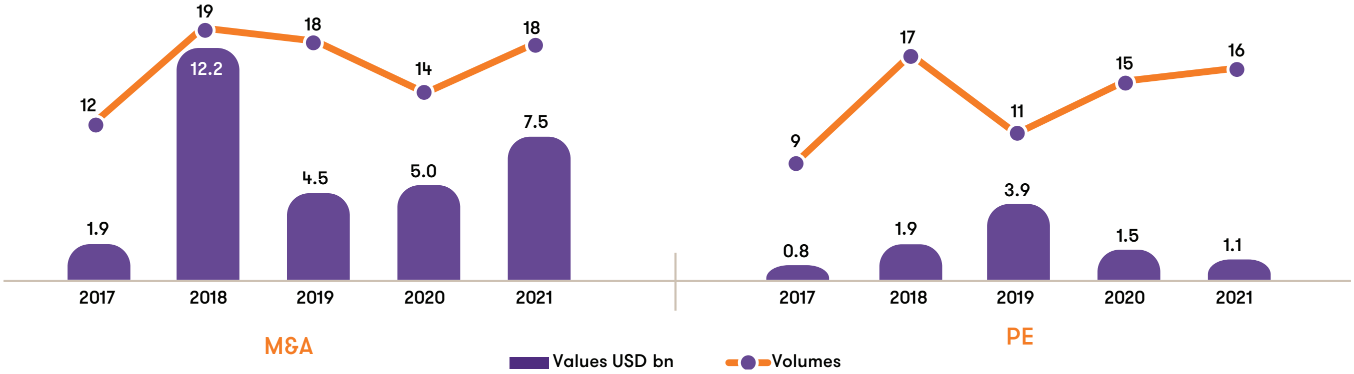
The F&B sector, along with the apparel sector, saw heightened traction on the deals front, on the back of attractive valuations. With acquisition of key designers and their portfolios, the apparel industry is looking to make further inroads into the ethnic segment. ESG will be a key focus for investment in 2022-23 and companies with stronger sustainability practices can definitely expect better valuations. With increasing rural consumption and a strong farm economy, as well as a fast-progressing middle class, the consumer and retail sector have a bright future in India.

Sectors with notable deals

Energy and natural resources

The sector recorded 34 deals valued at USD 8.5 billion, driven by Adani Green Energy's acquisition of SB Energy India for USD 3.5 billion, the largest acquisition in the renewable energy sector in India, followed by Total SE's minority stake acquisition of Adani Green Energy for USD 2.5 billion also making it the biggest investment yet in renewables. These two deals alone accounted for 70% of sector values.

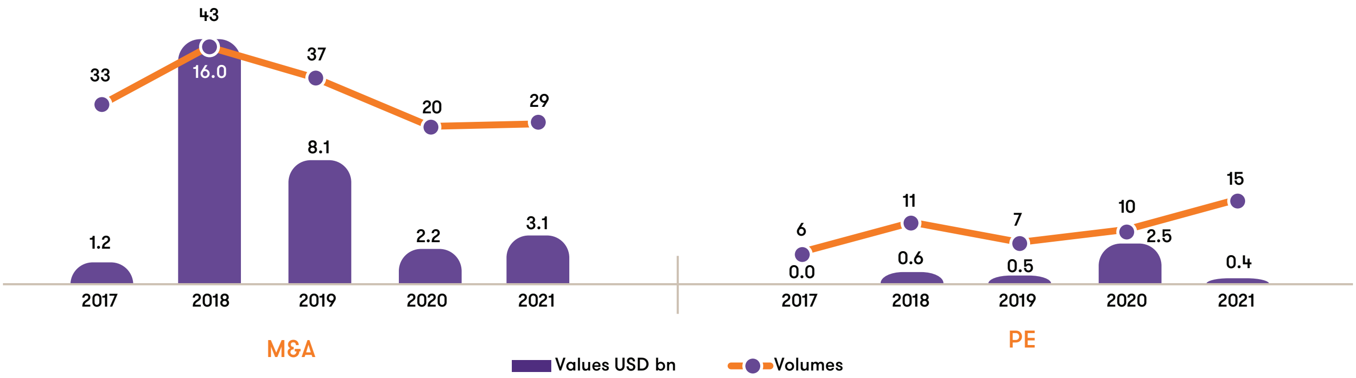
Interestingly, 2021 witnessed 100% investment in the clean-tech segment of the sector with the rationale to expand production capacity and business development. Clean energy companies, such as Fortum Oyj, CleanMax Enviro Energy Solutions, Azure Power and Fourth Partner Energy were among the top investment receivers during the year.



Manufacturing

Manufacturing sector that witnessed disruption in production activities, due to the lockdown triggered by the COVID-19 pandemic through 2020. 2021 witnessed an uptick in deal activity with 44 deals valued USD 3.5 billion.

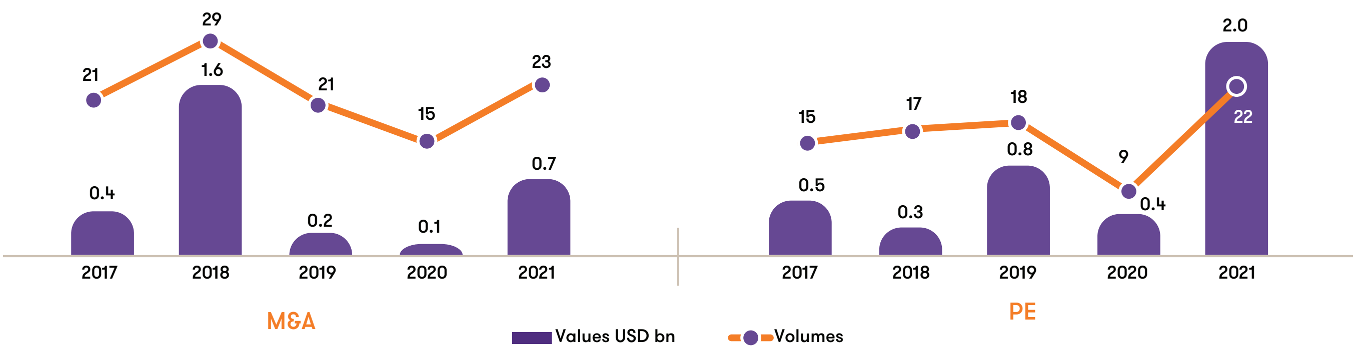
75% of the sector values was driven by JSW Steel Ltd's takeover of Bhushan Power & Steel Ltd under the IBC. With this deal, JSW Steel boosted its steel-making capacity and regained its lost crown of the largest steel player in the country. The year also witnessed GMM Pfaudler Ltd's acquisition of HDO Technologies Ltd under the IBC in the manufacturing sector.



Media and entertainment

Gaming, digital media and advertising and marketing segments dominated the sector. Media and entertainment saw 5.6 times surge in the deal values, majorly driven by Dream11's USD 1.3 billion fund raise, which is also one of the largest investments in the Indian sports-tech ecosystem to date and is a testimony to its growing market potential and Bharti Airtel's strategic acquisition of Bharti Telemedia for USD 428 million. Deal volumes also doubled compared to 2020, and are comparable to pre-COVID levels.

The segment saw five high-value deals valued over USD 100 million.

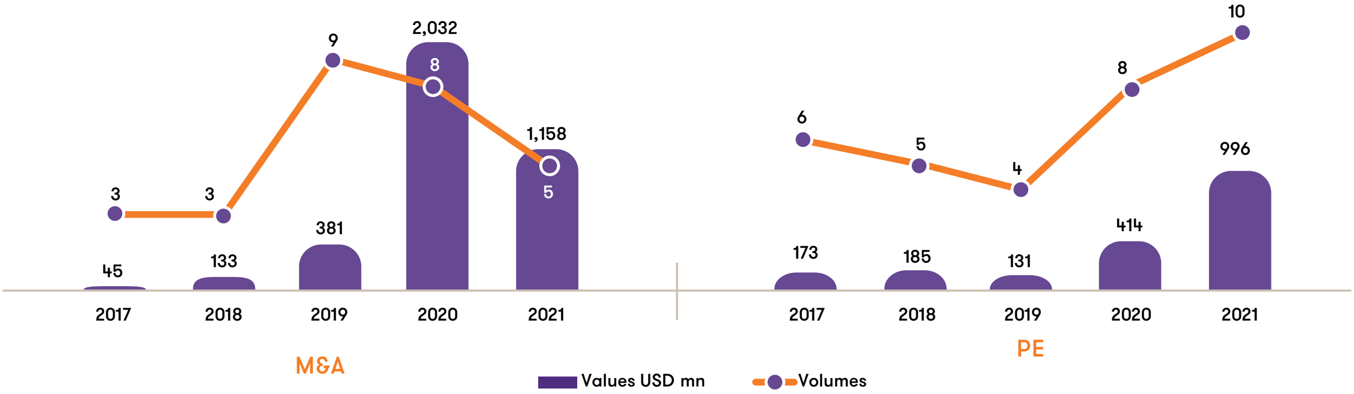


Transport and logistics

The sector garnered USD 2.2 billion across 15 M&A and PE investments. While ports and terminals dominated the M&A deal space, logistics and warehousing attracted majority investment from private equity investors. Deals were signed in this sector to consolidate its leadership position and create synergies.

Blackstone's USD 709 million investment in Embassy Industrial Parks Pvt Ltd marked one of the largest in the Indian logistics and warehousing segment. Large PE funds, such as Blackstone and Xander are executing deals in this space to consolidate their portfolios.

On the M&A front, Adani Ports and Special Economic Zone Ltd executed two deals during the year, one for acquiring majority stake in Gangavaram Port Ltd for USD 761 million and the second for increasing its stake in Adani Krishnapatnam Port Ltd to 100% in a bid to consolidate its position in this space.



Aviation

The sector witnessed only two deals during the year, both executed by Tata. One of them is a marquee deal of recent times with Tata's acquisition of Air India for USD 2.4 billion. While this will be the first privatisation since 2003-04, Air India will be the third airline brand in the Tatas' stable as it holds a majority interest in AirAsia India and Vistara, a joint venture with Singapore Airlines Ltd.

Real estate

Neeraj Sharma
Chartered Accountant, New Delhi

Its been an exciting year for real estate, in spite of challenges on the ground and uncertainty in the business environment, the sector is bouncing back very strongly. While the residential segment completely outplayed all the expectations in the current year, the emerging trends of flexi/co-working spaces are likely to push the demand for offices. All the large institutional investors have shown their confidence (read support) for the sector, which in turn is reflected in the deal activity.

In 2022, we can witness more stronger performance with – the market for residential getting attractive with the government's role on providing interest subsidies, rationalising stamp duty/registration charges and RERA making the process more transparent & customer friendly. Offices and industrial segments are also likely to create a positive impact, due to emerging trends in the corporate office environment and government's push through policy intervention to push the national infrastructure i.e., national Monetization Plan, new warehousing policy, Gatishakti etc.

Our Corporate Finance practice comprises

senior multi-faceted specialists

experienced in providing end-to-end solutions


Abhay Anand


Aditya Khanna


Alok Verma


Anirudh Gupta


Ashish Chhawchharia


Darshana Kadakia


Dhanraj Bhagat


Dinesh Anand


Manish Saxena


Prashant Mehra


Rahul Kapur


Raja Lahiri


Saurabh Srivastava


Shanthi Vijetha


Sridhar V


Sumeet Abrol


Vicky Bahl


Vikarth Kumar


Vishesh C. Chandiok


Amit Bora


Arpit Nitin Thakkar


Gautam K Dayaldasani


Pankaj Chopda


Santhosh Chandrasekaran

Ashwini Rushabh Modi

Karthik Gopalakrishnan

Pankaj Subhash Agrawal

Rajiv Ramesh Parekh

Shubham Chawla

Niyati Gautam Sharma

Select credentials

Select transaction advisory credentials

Tech Mahindra DigitalOnUs Accelerating Digital Business **Acquisition**	EXL CLAIRVOYANT an EXL company **Acquisition**	Tech Mahindra Perigord Life Science Solutions A TECH MAHINDRA COMPANY **Acquisition**	MEDGENOME TRIDENT DIAGNOSTICS LAB | IMAGING | CONSULTATIONS | HEALTH CARE **Acquisition**
Hero Norton **Acquisition**	upGrad knowledge hut **Acquisition**	Omnicom ARETEANS **Acquisition**	Suprajit Aquisition of light duty cables business of Kongsberg Group **Acquisition**
Inbrew holdings Pte. Ltd MOLSON COORS beverage company **Acquisition**	eClerx Personiv People Powered Outsourcing **Acquisition**	TransUnion BaldorTech **Investment**	TATA GLOBAL BEVERAGES Dhunseri Dhunseri Petrochem & Tea Limited **Acquisition**
SeaLink Capital Partners Ki Mobility by Etac **Private Equity investment**	wipro LetsShave **Acquisition**	Goldman Sachs Touch Midco Private Limited **VDD**	Prolifics **VDD**

Marquee credentials

Marquee transaction advisory credentials

wipro, APPIRIO, cellent (a Wipro company)	Tech Mahindra, BORN.	JSW Cement, LAFARGE CEMENT	Cipla, Cipla Medpro South Africa Ltd.
Acquisition	**Acquisition**	**Acquisition**	**Acquisition**
ACL Digital (an ALTEN group company), WS	lightrock, CredAvenue™	Carlyle Group, Medanta The Medicity	Suprajit, Kongsberg Automotive. Acquisition of the LDC and OPE segment of the business
Acquisition	**Private equity investment**	**Investment**	**Acquisition**
TRIANZ	CARE Hospitals	GE Capital	JSW Cement, Jaypee Infratech
VDD	**VDD**	**Financial and tax due diligence**	**Financial and tax due diligence**
GMR	Future Consumer Enterprise Limited (an integrated food & FMCG company), Nilgiris, Heritage	Capital First, IDFC First Bank	TPG, Sutures India (protecting lives)
Reverse merger of indonesian asset with UFS, Singapore	**Financial and tax due diligence**	**Acquisition**	**Investment**

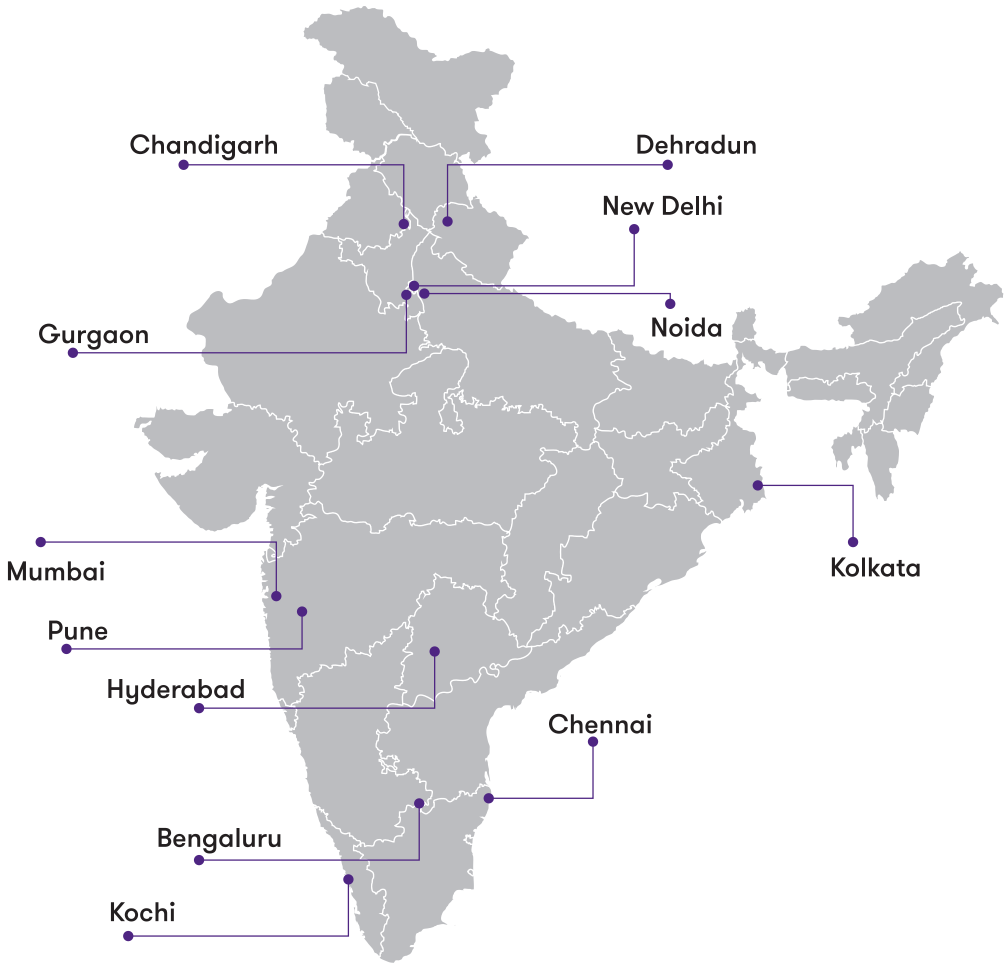
About Grant Thornton Bharat

Grant Thornton Bharat is a member of Grant Thornton International Ltd. The firm is at the forefront of helping reshape the values in our profession. We are helping shape various industry ecosystems through our work across Assurance, Tax, Risk, Transactions, Technology and Consulting, and are going beyond to shape a more Vibrant Bharat

5,600+
people

14 offices in
12 locations

One of the largest
fully integrated
Assurance, Tax,
Risk, Transactions,
Technology and
Consulting firms
in India



Acknowledgements

Authors

Shanthi Vijetha
Monica Kothari

For media queries, please contact:

E: media@in.gt.com

Editorial review

Pranjal Bhatnagar
Anjali Dhawan

Design

Saurabh Mishra
Aditya Deshwal

Notes

Notes

Notes

Contact us

To know more, please visit www.grantthornton.in or contact any of our offices as mentioned below:

NEW DELHI
National Office,
Outer Circle, L 41,
Connaught Circus,
New Delhi-110001
T +91 11 4278 7070

NEW DELHI
6th Floor, Worldmark 2,
Aerocity,
New Delhi-110037
T +91 11 4952 7400

BENGALURU
5th Floor, 65/2, Block A, Bagmane
Tridib, Bagmane Tech Park,
CV Raman Nagar,
Bengaluru-560093
T+91 80 4243 0700

CHANDIGARH
B-406A, 4th Floor,
L&T Elante Office Building,
Industrial Area Phase I,
Chandigarh-160002
T +91 172 4338 000

CHENNAI
9th Floor, Prestige Polygon,
471, Anna Salai, Teynampet,
Chennai-600018
T +91 44 4294 0000

DEHRADUN
Suite No 2211, 2nd Floor,
Building 2000, Michigan Avenue,
Doon Express Business Park,
Subhash Nagar,
Dehradun-248002
T +91 135 2646 500

GURGAON
21st Floor, DLF Square,
Jacaranda Marg,
DLF Phase II,
Gurgaon-122002
T +91 124 462 8000

HYDERABAD
7th Floor, Block III,
White House,
Kundan Bagh, Begumpet,
Hyderabad-500016
T +91 40 6630 8200

KOCHI
6th Floor, Modayil Centre Point,
Warriam Road Junction,
MG Road
Kochi-682016
T +91 484 406 4541

KOLKATA
10C Hungerford Street,
5th Floor,
Kolkata-700017
T +91 33 4050 8000

MUMBAI
11th Floor, Tower II,
One International Center,
SB Marg Prabhadevi (W),
Mumbai-400013
T +91 22 6626 2600

MUMBAI
Kaledonia, 1st Floor, C Wing,
(Opposite J&J Office),
Sahar Road, Andheri East,
Mumbai-400 069

NOIDA
Plot No 19A, 2nd Floor,
Sector-16A,
Noida-201301
T +91 120 485 5900

PUNE
3rd Floor, Unit No 309-312,
West Wing, Nyati Unitree,
Nagar Road, Yerwada
Pune-411006
T +91 20 6744 8800

For more information or for any queries, write to us at GTBharat@in.gt.com

Follow us @GrantThorntonIN