Annual Dealtracker

Providing you with merger and acquisitions and private equity deals' insights for 2023

19th edition

Content

Foreword

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The year 2023 concluded positively for the Indian economy, with expectations of GDP growth surpassing 6.5% in the fiscal year 2023-2024. The better-than-expected growth in Q2 of 2023-24 surpassed major economies such as Russia, the UK, and China. India emerged as the fastest-growing major economy in H1 of the year, with improved growth prospects. Indicators like GST collections, core sector growth, car sales, and passenger traffic also reflected healthy economic growth. However, major global geopolitical events, ongoing conflicts, and global recessionary trends on the back of rising inflation, global supply chain disputes, and uncertainty of the ongoing conflicts led global investors to adopt a more wait-and-watch approach, impacting deal-making across various sectors.

Although India's economy remained relatively robust compared to other countries, the global slowdown did dampen export growth and foreign direct investment inflows, impacting certain sectors in the market. While certain sectors, like technology and export-oriented industries, faced headwinds, others, like pharmaceuticals and consumer goods, remained relatively resilient. Overall, the Indian market demonstrated its relative resilience and long-term growth potential, attracting continued investor interest despite the global challenges. This is reflected in the current trends observed in the IPO market. Further, besides it being an election year, a considerable number of IPOs are scheduled for 2024. The Indian government's focus on attracting foreign investment and boosting domestic manufacturing created positive sentiment for deal activity in certain sectors.

Amidst this, the year recorded over 1,500 deals amounting to around USD 53 billion, reflecting a 23% decrease in volumes and a substantial 59% decrease in values compared to the previous year while missing out on landmark deals of high values. Domestic deals continued to be at the forefront; however, there has been a shift towards conservative strategies, especially in carrying out large ticket deals. While there was a slight increase in cross-border transactions from around 120 to 140 in 2023, their collective value sharply declined from USD 21 billion to USD 11 billion. This indicates a noticeable shift towards smaller deals. PE deal activity continued to be low, recording around 1,000 deals worth USD 27 billion on the back of cautious investor sentiment and the prevailing funding winter across the globe. However, the average ticket size was notably higher than the values in 2022.

The outlook for 2024 remains uncertain and contingent on factors such as the economic climate, geopolitical stability, and investor sentiment. Despite these challenges, an optimistic outlook persists, with M&A and private equity firms actively seeking opportunities aligned with their long-term objectives. Sectors such as ESG initiatives are poised for growth. Strategic buyers with strong financial standings are expected to capitalise on opportunities to acquire valuable assets at favorable rates, while private equity firms focus on revitalising distressed companies. Additionally, agile tech companies offering innovative solutions are likely to become prime targets for acquisitions, with private equity firms playing a crucial role in fueling the growth of these emerging entities. Overall, the market anticipates a dynamic landscape with a strategic focus on long-term growth potential.

We at Grant Thornton Bharat are pleased to present the 19th annual edition of the Dealtracker, our pioneering publication on M&A and PE deals in India. We continue to emphasise that deals are an important growth driver for the Indian economy. As India continues its journey towards economic growth, Grant Thornton Bharat expresses gratitude to all stakeholders for their ongoing support and looks forward to continued collaboration. I hope you find this report an insightful read. Stay safe, and here's hoping to #GoBeyond towards shaping #VibrantBharat.

Quick View 2023

Total M&A Volumes	Total PE Volumes	Total IPO Volumes	Total QIP Volumes
494	1,045	57	45

Total Volumes- 1,641

Total Values – USD 65,909 million

Total M&A Values – USD	Total PE Values – USD	Total IPO Values – USD	Total QIP Values – USD
25,207 million	27,407 million	6,249 million	7,046 million

Top three sectors by volume
Start-up > E-commerce > IT& ITeS

Top three sectors by value
Pharma, healthcare and biotech > Energy and natural resources > E-commerce

Top inbound destinations
USA > Japan > UK

Top outbound destinations
USA > Germany, UK > UAE

Top cities attracting PE investments
Bangalore > NCR > Mumbai

Top cities witnessing domestic deals
Mumbai > Bangalore > NCR

Top three M&A deals

Suraksha Realty Ltd
Jaypee Infratech – **USD 2.5 billion**

Siemens AG
Siemens Ltd - **USD 2.3 billion**

Walmart
Flipkart – **USD 1.4 billion**

Top three PE deals

Manipal Health Enterprises fundraise of **USD 2 billion**

Reliance Retail Ventures fundraise of **USD 1.9 billion**

HDFC Credila Financial Services fundraise of **USD 1.1 billion**

Key highlights

Shanti Vijetha
Partner, Due Diligence

Tough times for deal-making

2023 ended on a low note after a promising start for Indian deal-making despite an unannounced recession in the USA, surging oil prices, and the geopolitical instability caused by the Russia–Ukraine war. While 2022 was the year India stood strong amongst the global markets, it also saw domestic businesses emerging stronger and expanding domestically and globally. The anticipation was that this positive trend would extend into 2023, revitalising funding deal activities as global funds were expected to be reallocated, driven by confidence in the resilience and potential of the Indian markets. However, the lack of liquidity in international markets, volatile market conditions, and cautious investor sentiment hindered the realisation of robust deal-making in 2023.

In 2023, India Inc. registered 1,641 deals with a total value of USD 65.9 billion, marking a 21% decrease in volumes and a 52% decline in values compared to the previous year. In this period, there were only eight multi-billion-dollar M&A and PE deals totalling USD 12.5 billion, and 103 deals falling in the range of USD 100 million to USD 999 million, summing up to USD 28.1 billion compared to 11 multi-billion-dollar deals totalling USD 82.5 billion and 97 deals valued between USD 100 million to USD 999 million, summing up to USD 26.2 billion in 2022.

Domestic resilience and transition

M&A activity in the current year comprised 494 deals amounting to USD 25.2 billion, reflecting a 72% decrease in values compared to the previous year largely due to the absence of marquee high-value transactions, unlike 2022, which witnessed three marquee deals valued over USD 10 billion each (HDFC Bank- HDFC Ltd; L&T-Mindtree and Adani – Ambuja Cement, ACC) witnessed in 2022.

Domestic consolidation led the deal activity in volumes and values, representing 71% and 57%, respectively, recording 350 deals at USD 14.4 billion, which marked the lowest in the last three years. The sluggish start of the year, persisting from Q4 2022 and representing only 41% of the overall domestic volumes from January to June 2023, significantly influenced this downturn. Outbound activity, however, experienced an all-time low with 60 deals totalling only USD 3.2 billion, marking an 82% decline in values, primarily influenced by the absence of marquee deals witnessed in the previous year.

In contrast, inbound activity exhibited a significant increase, recording 84 deals valued at USD 7.7 billion, translating to a 38% rise in volumes and a substantial 178% surge in values, driven by two multi-billion-dollar deals and five high-value transactions exceeding USD 500 million.

Cross-border deals continue to play a pivotal role in the Indian deal-making landscape as companies seek strategic partnerships to expand their global presence and access new markets. Further, the interconnectedness of the global economy continues to present opportunities and incentives for cross-border consolidations. India – USA emerged as the most prominent corridor with 49 deals valuing USD 2.4 billion, while the UK and Japan followed with 14 deals valuing USD 1.1 billion and 10 deals valued at USD 832 million, respectively.

Start-ups led the deal volumes for the year with 81 deals, followed by IT and pharma, with 69 and 58 deals, respectively. In terms of value, real estate led the pack, closely followed by energy & natural resources, and pharma, healthcare, and biotech. These three sectors contributed 39% of the M&A values, valuing USD 9.7 billion.

Investor pockets tightened

PEs/VCs have always been integral to the Indian deal-making scenario. This year, we witnessed 1,045 deals valuing USD 27.4 billion, down from 1,531 deals valuing USD 35.5 billion in 2022. The initial half of the year showcased positive momentum, but the latter half displayed a mixed trend. Geo-political tensions amidst ongoing wars, high interest rates across economies, and the sustained funding winter have weakened the investment climate for start-ups and companies seeking to raise fresh capital. However, the availability of capital for the right segment and a conducive regulatory environment have supported investments in this tough funding environment.

The pharmaceutical and biotechnology sector took the lead in terms of values, while the startup sector drove deal volumes. A significant milestone in the Indian healthcare sector was the

largest deal of the year, as Temasek Holding invested USD 2 billion in Manipal Health, constituting 7% of this year's PE values. Reliance Retail Ventures secured a total of USD 1.9 billion across three distinct funding rounds led by a consortium of investors. Additionally, this year witnessed the emergence of two unicorns, Zepto and InCred Financial Services, although the number was significantly lower compared to the previous year, which saw the birth of
20 unicorns.

Beyond the traditional hubs of Bangalore, Mumbai, and the National Capital Region (NCR), emerging regions such as Chennai, Pune, and Hyderabad collectively contributed 12% of volumes and 16% of values for the year, which is in line with last year. Tier two cities like Udaipur, Chandigarh, and Jaipur also played a significant role, attracting approximately USD 1.1 billion and showcasing a favorable blend of demographics and opportunities compared to USD 837 million garnered in 2022.

Traditional sectors embrace digital transformation

Digitisation trend has been noticed across most sectors in the past few years, with technology counterparts in various traditional sectors attracting investors/acquirers. Deals in the health-tech segment from pharma, FinTech from banking, auto tech from the automotive industry, and real estate tech from the real estate sector have become prominent. While the segments generating the highest number of deals are new-age sectors, values are still being driven by traditional businesses such as pharmaceuticals, specifically the hospitals segment, energy and natural resources, real estate development, and manufacturing sectors. Government initiatives such as 'Make in India' influenced the traditional sector, focusing on boosting domestic production. Investors exhibit confidence in the stable trajectory of these traditional sectors, opting to invest where portfolios are easily monitored and promise high returns. Simultaneously, they allocate smaller amounts to new-age sectors to leverage the potential for future growth.

Start-ups contributed to 42% of overall volumes, followed by the e-commerce and IT sectors. In contrast, the pharmaceuticals, energy, and e-commerce sectors led the values, contributing 40% of the overall values combined. The e-commerce sector, witnessing robust activity with 155 deals valuing USD 6.4 billion, remains amongst the top sectors in values and volumes, driven by a growing consumer base and increasing internet penetration.

IPO & QIP activity rose significantly

2023 was a good year for IPO and QIP activity displaying notable trends. Despite a 24% decrease in values, the number of IPOs experienced a remarkable 43% increase, totaling 57 IPOs, marking the second-highest IPO listings, with a cumulative value of USD 5.3 billion driven by most of the offerings experiencing gains on listing coupled with strong retail investors' involvement. Mankind Pharma's USD 528 million IPO claimed the top spot for the year. The manufacturing sector attracted the highest number of IPOs, totaling 14 with a combined value of USD 1.1 billion, followed by the retail sector, featuring 10 IPOs. Despite some hesitancy, sentiment towards new-age companies has improved over the year, and several Indian unicorns are poised to go public in the upcoming year.

QIP activity saw its highest number of deals in the past 12 years, ranking second in values after 2020. A total of 45 QIPs were recorded, amounting to USD 7 billion. The surge in listed companies resorting to the QIP route to raise fresh capital is a testament to the economic outlook. Manufacturing and banking sectors dominated the QIP landscape, contributing 15 and 12 deals, respectively, making up 60% of the year's total. The banking sector recorded QIPs worth USD 4.4 billion, representing 62% of the total QIP values. Notably, Bajaj Finance's QIP allotment alone accounted for USD 1.1 billion in this year's QIP values.

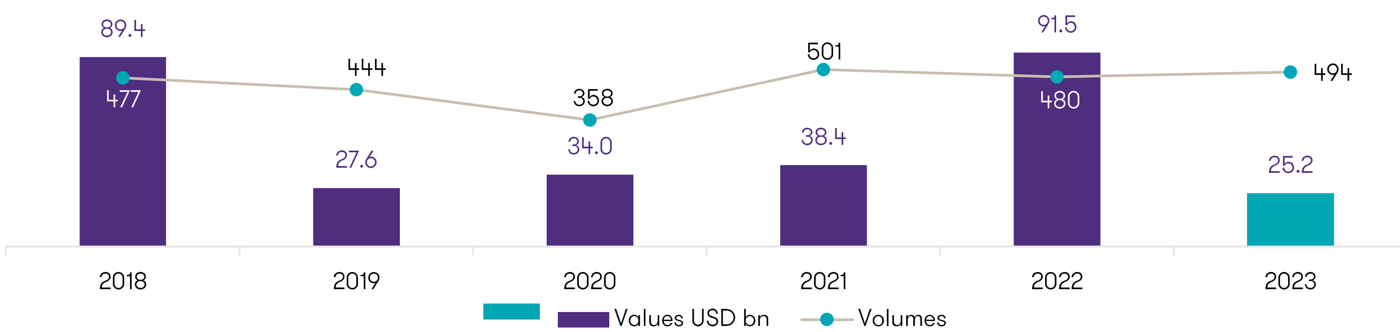
To sum up

The Indian deal-making landscape in 2023 is marked by resilience, adaptability, and a forward-looking approach. As India continues to position itself as a key player in the global economy, the strategic opportunities for investors are vast and diverse. In the coming months, the Indian deal-making is expected to increase, as the economic resilience has created a favorable environment for deal-making activities across various industries. India's emphasis on sustainability and environmental responsibility positions it as an attractive hub for opportunities in global markets. However, challenges loom on the horizon, such as the strength of the dollar and stricter global financial conditions, and now, with elections around the corner, may impact the investors' risk appetite and sentiments.

2023 witnessed mixed trends in deal-making

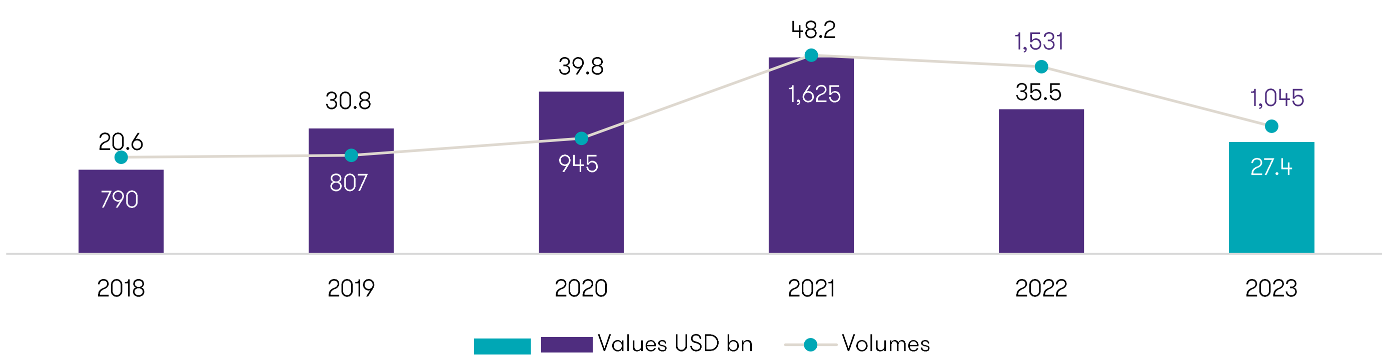
M&A deal trend - annual

Top three deals					
Walmart - Flipkart (USD 16 bn) Bharti Infratel - Indus Towers (USD 14.6 bn) ONGC - Hindustan Petroleum (USD 5.8 bn)	ArcelorMittal - Essar Steel (USD 7.2 bn) Cayman – OYORooms (USD 2 bn) India Grid Trust - Sterlite Power Transmission - 5 electricity transmission assets (USD 1.7 bn)	Facebook - Jio Platforms (USD 5.7 bn) Google - Jio Platforms (USD 4.4 bn) Haldia Petrochemicals - Lummus Technology (USD 1.5 bn)	Piramal Capital & Housing Finance - Dewan Housing Finance Corp (USD 5.1 bn) Adani Green Energy - SB Energy (USD 3.5 bn) JSW Steel – Bhushan Power & Steel (USD 2.7 bn)	HDFC-HDFC bank (USD 40 bn) L&T-Mindtree (USD 17.7 bn) Adani-Ambuja cement (USD 10.5 bn)	Suraksha Realty - Jaypee Infratech (USD 2.5 bn) Siemens AG – Siemens Ltd (USD 2.3 bn) Walmart – Flipkart (USD 1.4 bn)
Deals >=USD 500 mn					
22	09	16	14	14	12



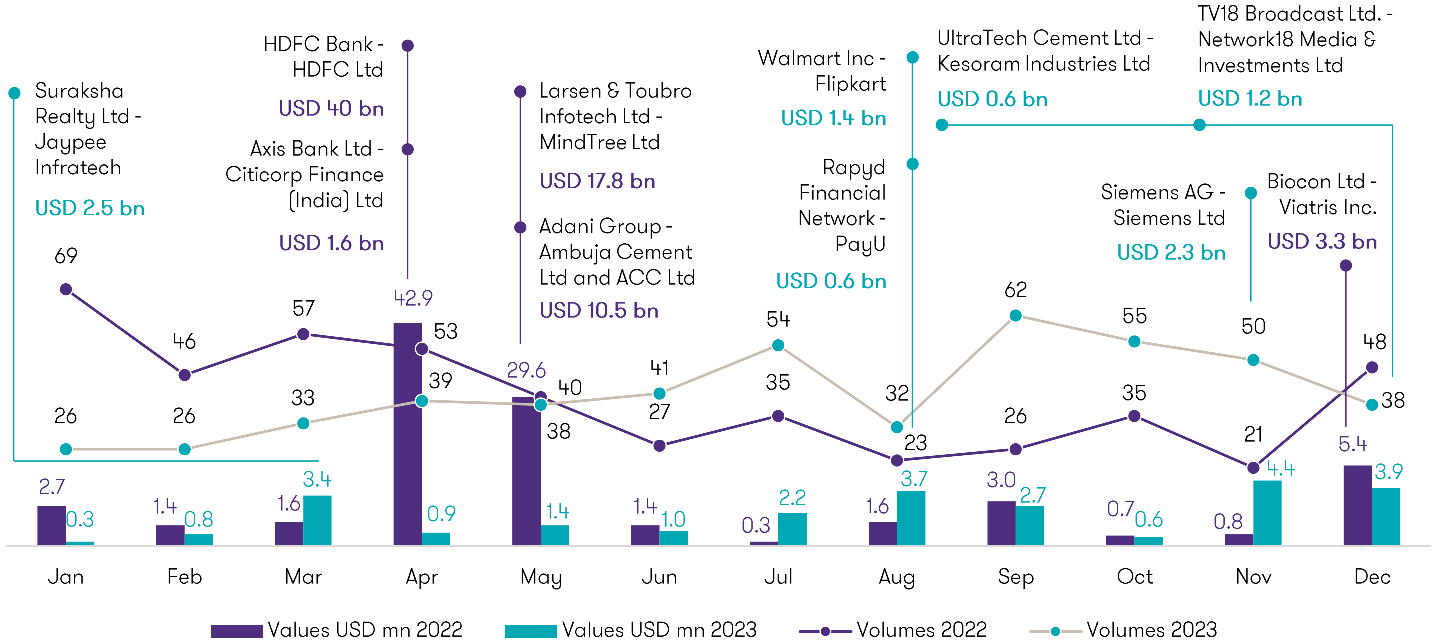
PE deal trend - annual

Top three deals					
UPL Corp (USD 1.2 bn) Swiggy (USD 1 bn) OYORooms (USD 1 bn)	Reliance Jio (USD 3.7 bn) Pipeline Infrastructure Pvt Ltd - East West Pipeline Ltd (USD 1.8 bn) Paytm (USD 1 bn)	Jio Platforms (USD 9.8 bn) Reliance Retail Ventures (USD 6.4 bn) RMZ Corp- 12.5 mn sq. ft - real estate and co-working assets (USD 2 bn)	Flipkart (USD 3.6 bn) Mphasis Ltd (USD 2.1 bn) Hinduja Global Solutions Ltd- Healthcare business (USD 1.2 bn)	Viacom18 (USD 1.8 bn) Sprng Energy - SolEnergi Power Pvt Ltd (USD 1.6 bn) Brookfield Asset Management- five operational road projects (USD 1.2 bn)	Manipal Health (USD 2 bn) Reliance Retail Ventures (USD 1.9 bn) HDFC Credila (USD 1.1 bn)
Deals >=USD 500 mn					
6	11	24	14	12	12

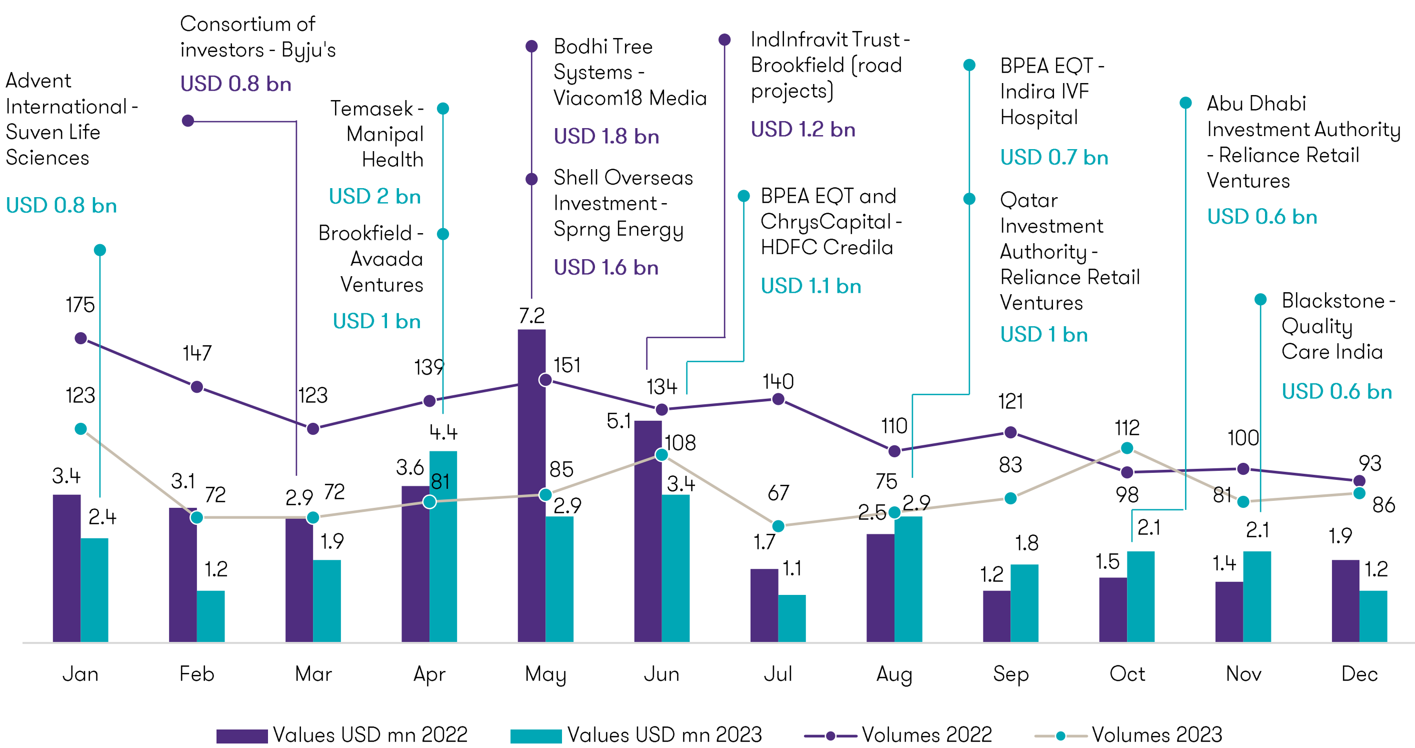


2023 witnessed contrasting halves for both M&A (volumes) and PE (values)

M&A deal trend - monthly



PE deal trend - monthly



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Mergers and acquisitions

- A Sector trend
- B M&A deal board
- C Domestic M&A deal trend
- D Outbound M&A deal trend
- E Inbound M&A deal trend
- F Geographical spread

M&A deal volumes remained stable but without marquee transactions (>USD 10 bn) witnessed in 2022

M&A activity in 2023 recorded 494 deals totaling USD 25.2 billion, reflecting a 3% increase in deal volume but a significant 72% decline in values compared to the previous year, which witnessed three deals valued over USD 10 billion each. The first half of the year experienced a slowdown, with deals amounting to USD 7.8 billion, while the latter half saw an uptick, reaching deals worth USD 17.5 billion. Domestic deals dominated the deal landscape, with 350 deals valued at USD 14.4 billion, while inbound activity witnessed substantial growth, featuring 84 deals totalling USD 7.7 billion. However, outbound activity remained stable, with values declining significantly from USD 17.9 billion in 2022 to USD 3.2 billion this year.

While start-ups led the deal volumes, followed by IT and pharma together contributing to 42% of the deals, these sectors witnessed a significant decline, with volumes falling from 239 in 2022 to 208 in 2023. Real estate, energy, and pharma led the values with a 39% share. This year's deals showcased diversification across various sectors, witnessing a surge in volumes in pharma (hospital), manufacturing (capital goods, textiles and apparel and industrial materials), banking, media, transport (logistics), real estate, automotive, and infrastructure (engineering services).

Suraksha Group's acquisition of Jaypee in the real estate sector raked in USD 2.5 billion, while Siemens (energy sector) brought in USD 2.3 bn. Other notable deals this year comprised Walmart's increasing stake in Flipkart worth USD 1.4 billion, while Network18 Group's merger was valued at USD 1.2 billion. The top four-billion-dollar deals led the investment values going and contributed to 29% of the values.

Volumes			Sectors	Values USD mn		
2021	2022	2023		2021	2022	2023
126	133	81	Start-up	864	1,066	655
78	81	69	IT & ITeS	3,826	19,469	2,318
48	25	58	Pharma, healthcare and biotech	1,790	4,442	3,126
29	22	40	Manufacturing	3,100	11,815	2,282
27	14	38	Banking and financial services	9,361	41,877	2,228
51	57	35	E-commerce	2,577	1,752	2,616
29	34	27	Retail and consumer	678	1,086	942
22	21	25	Media and entertainment	736	388	1,323
5	9	17	Transport and logistics	1,158	2,794	731
18	14	15	Energy and natural resources	7,466	4,191	3,212
23	19	15	Education	2,935	362	88
4	4	14	Real estate	325	31	3,370
6	8	14	Automotive	49	803	1,212
7	13	14	Professional / Business services	38	116	230
13	13	13	Hospitality and leisure	234	229	273
6	2	8	Infrastructure management	230	257	243
1	5	6	Agriculture and forestry	5	25	254
1	3	3	Aerospace and defense	5	15	31
5	1	2	Telecom	529	700	72
2	2	-	Aviation	2,470	42	-

M&A deal board 2023

Top M&A deals constituted **44%** of total M&A values

Acquirer	Target	Sector	USD mn	Deal type	% stake	Cross-border/ domestic
Suraksha Realty Ltd	Jaypee Infratech Ltd	Real estate	2,453	Acquisition	100%	Domestic
Siemens AG	Siemens Ltd	Energy and natural resources	2,280	Majority Stake	18%	Inbound
Walmart Inc	Flipkart Online Services Pvt Ltd	E-commerce	1,400	Minority Stake	4%	Inbound
TV18 Broadcast Ltd	Network18 Media & Investments Ltd	Media and entertainment	1,200	Merger	N.A.	Domestic
Proximus Opal SA	Route Mobile Ltd	IT & ITeS	721	Controlling Stake	58%	Inbound
Nirma Ltd	Glenmark Life Sciences Ltd	Pharma, healthcare and biotech	689	Majority Stake	75%	Domestic
UltraTech Cement Ltd	Kesoram Industries Ltd	Manufacturing	646	Acquisition	100%	Domestic
Sumitomo Realty and Development Co	Bombay Dyeing and Manufacturing Co Ltd-A land parcel in Mumbai	Real estate	627	Acquisition	100%	Inbound
Rapyd Financial Network Ltd.	PayU Payments Pvt Ltd-global payments business unit	IT & ITeS	610	Minority Stake	N.A.	Inbound
Samvardhana Motherson International Ltd	SAS Autosystemtechnik GmbH & Co .	Automotive	578	Acquisition	100%	Outbound

Grant Thornton Bharat Insights

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While the deal volumes for 2023 experienced a 23% drop compared to 2022, totaling 1,539 deals, the deal value saw a steeper decline of 59%, at USD 52.6 billion, contrasting sharply with the robust USD 127 billion in 2022. This downturn, marked by the absence of major deals like HDFC's merger, L&T-Mindtree, and Adani-Ambuja from the previous year, indicates a shift in investment strategies and business decisions across industries. Real estate and pharma & healthcare emerged as standout sectors in deal activity, demonstrating resilience and adaptability amid broader economic shifts in 2023.

Specifically, mergers and acquisitions transactions experienced a substantial decline in deal value, reaching USD 25 billion in 2023 compared to the robust USD 91 billion in 2022, which is attributed to the absence of significant deals. In 2022, seven deals were valued in the billion-dollar category, and seven deals fell between USD 100 million and USD 1 billion, contributing to a total of USD 81.6 billion. In contrast, 2023 witnessed only four and eight such deals, totalling USD 12.3 billion. This decline underscores a cautious approach to consolidation and business integrations. However, 2023 saw a surge in IBC deals, with five transactions valued at USD 2.9 billion, compared to only one deal worth USD 76 million in 2022.

Start-ups faced a slowdown in deal activity, with only 81 transactions occurring in 2023 compared to 133 deals in 2022. The deal values also mirrored this trend with USD 655 million, down from USD 1 billion in 2022. This indicated a cautious investor sentiment towards cash-burning ventures, which aligns with the global deal sentiment and the prevailing funding winter.

Contrary to the overall trend, the real estate sector experienced a significant uptick in 2023, recording a deal value of USD 3.4 billion, a notable increase from USD 31 million in 2022. This was primarily due to the largest deal in this sector, the acquisition of Jaypee Infratech by Suraksha Group for USD 2.5 billion. Barring this deal, the deal values recorded USD 917 million, which signals positive developments in the sector.

The pharma & healthcare sector witnessed increased deal activity, with 58 transactions in 2023, a notable increase from the 25 transactions in 2022. The largest deal involved the acquisition of Glenmark Lifesciences (Consumer products) by Nirma at USD 689 million. However, the deal values in the sector decreased to USD 3.1 billion in 2023 from USD 4.4 billion in 2022, primarily due to the absence of a large deal like the USD 3.3 billion Biocon-Viatris Inc. deal witnessed in 2022.

In 2023, the banking sector witnessed a significant decline in deal value compared to 2022, primarily influenced by the HDFC deal. Despite an increase in deal volumes, with 38 transactions in 2023 compared to 14 in 2022, the deal values (excluding the HDFC deal) did not register a corresponding rise, indicating a recalibration in the financial sector. A similar pattern was observed in the manufacturing sector, which witnessed 40 deals featuring one marquee deal—Adani-Ambuja, valued at USD 10.5 billion in 2022. While volumes saw an 82% increase, barring this deal, values demonstrated a 74% increase.

2023 has been a year of caution across investors and buyers, with only very strategic trades being carried out. The year also witnessed longer deal cycles in the start-up ecosystem, with investors focusing on unit economics and profitability metrics in place of high growth and grabbing market share. We do anticipate the deal-making environment to stabilise and start picking up toward the end of Q2 2024.

Deal summary	Volumes			Values USD mn		
	2021	2022	2023	2021	2022	2023
Domestic	382	358	350	23,741	70,763	14,356
Inbound	56	61	84	6,624	2,753	7,661
Outbound	63	61	60	8,011	17,943	3,190
Grand total	**501**	**480**	**494**	**38,376**	**91,459**	**25,206**

Domestic activity displays resilience but with no >USD 10 billion deals

Domestic M&A deal trend

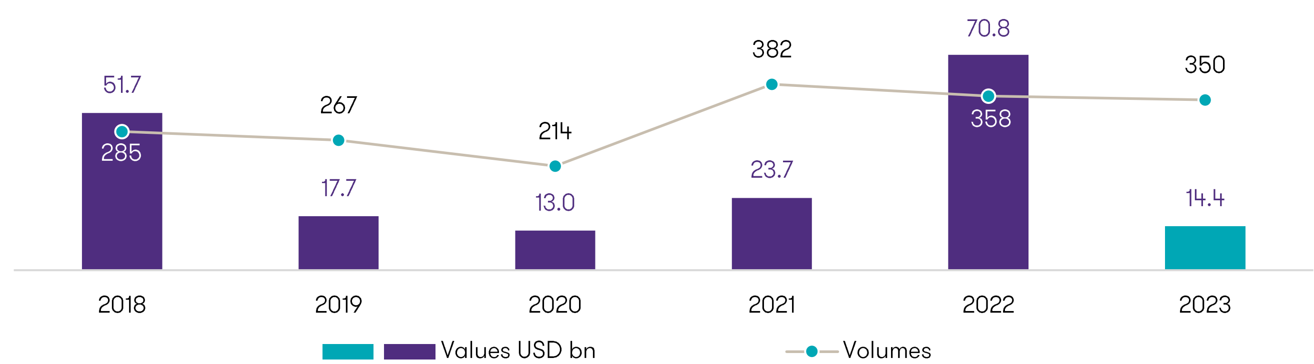
This year's domestic consolidations stood at 350 deals valued at USD 14.4 billion, an 80% decline in values from last year on the back of only two deals in the billion-dollar category compared to four and five deals witnessed in 2022 and 2021, respectively. There is a shift in deal-making strategies in the context of evolving geopolitical dynamics.

Domestic companies are prioritising profitability and synergy in areas like cost, market, innovation, and operations over sheer scale. The focus is on value-accretive deals, emphasising a strategic, cost-effective approach rather than immediate, cash-intensive transactions. The year 2023 saw around 14 consolidations/ mergers valuing USD 1.7 billion, where conglomerates and high-value groups acquired smaller companies or their assets to increase efficiency and hold onto the market.

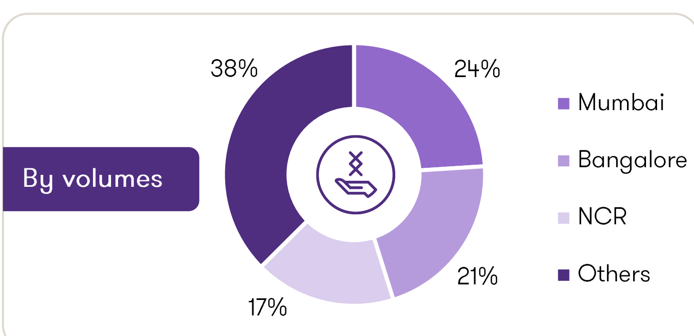
Domestic deals contributed to 23% of volumes and 27% of values of the overall M&A numbers in 2023. Start-ups, pharma, and IT topped the charts in terms of volumes, contributing to 35% of the deals, while real estate, pharma, and manufacturing led the values with a 48% contribution.

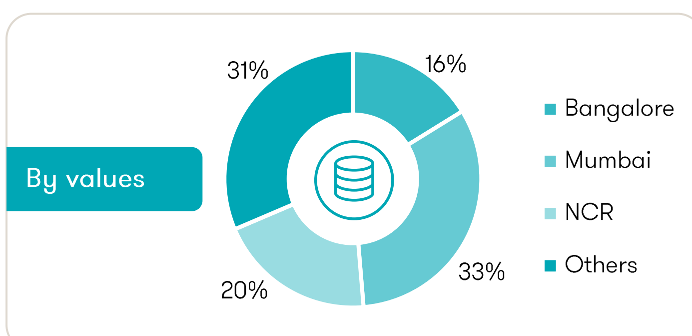
Top three deals

Bharti Infratel Ltd - Indus Towers Ltd (USD 14.6 bn)	ArcelorMittal India - Essar Steel India Ltd (USD 7.2 bn)	Adani Ports and Special Economic Zone Ltd - Krishnapatnam Port Company Ltd (USD 1.4 bn)	Piramal Capital & Housing Finance Ltd - Dewan Housing Finance Corporation Ltd (USD 5.1 bn)	**HDFC Bank Ltd - HDFC Ltd** USD 40 bn; **L&T Infotech Ltd - MindTree Ltd** (USD 17.7 bn)	Suraksha Realty Ltd - Jaypee Infratech Ltd (USD 2.5 bn)
Oil and Natural Gas Corporation Ltd - Hindustan Petroleum Corporation Ltd (USD 5.8 bn)	India Grid Trust - Sterlite Power Transmission Ltd - 5 electricity transmission assets (USD 1.7 bn)	Consortium – Yes Bank Ltd (USD 1.4 bn)	JSW Steel Ltd - Bhushan Power & Steel Ltd (USD 2.7 bn)	ArcelorMittal Nippon Steel - Essar Group- Ports, power, and transmission assets (USD 2.4 bn)	TV18 Broadcast Ltd- Network18 Media (USD 1.2 bn)
Tata Steel - Bhushan Steel Ltd (USD 5.5 bn)	Radiant Life Care- Max Healthcare Institute Ltd and Max India Ltd (USD 1 bn)	Embassy Office Parks REIT - Embassy TechVillage (USD 1.3 bn)	Talace Pvt Ltd - Air India Ltd (USD 2.4 bn)		Nirma Ltd - Glenmark Life Sciences Ltd (USD 689 mn)
Deals >=USD 1 bn					
10	3	4	5	4	2



City in focus





Top five domestic deals 2023

Top five domestic deals in 2023 constituted **39%** of total domestic values.

Acquirer	Target	Sector	Value
Suraksha Realty	Jaypee Infratech	Real estate	**USD 2,453 mn**
TV18 Broadcast	Network18 Media & Investments	Media and entertainment	**USD 1,200 mn**
Nirma Ltd	Glenmark Life Sciences Ltd	Pharma, healthcare and biotech	**USD 689 mn**
UltraTech Cement	Kesoram Industries	Manufacturing	**USD 646 mn**
Titan Co	Caratlane Trading	E-commerce	**USD 564 mn**

Acquirer Target Sector

Sector movement compared to 2022

Volumes 2022	Volumes 2023	Volumes Up/Down	Sectors	Values USD bn 2022	Values USD bn 2023	Values USD bn Up/Down
118	71	↓	Start-up	1,001	479	↓
14	39	↑	Pharma, healthcare and biotech	832	2,472	↑
45	32	↓	IT & ITeS	17,996	288	↓
50	29	↓	E-commerce	1,707	960	↓
11	29	↑	Manufacturing	992	1,674	↑
8	28	↑	Banking and financial services	40,040	1,370	↓
26	22	↓	Retail and consumer	981	715	↓
15	14	↓	Media and entertainment	293	1,280	↑
9	12	↑	Transport and logistics	2,794	681	↓
3	11	↑	Real estate	26	2,707	↑
9	10	↑	Energy and natural resources	3,285	852	↓
16	10	↓	Education	253	65	↓
5	10	↑	Automotive	89	223	↑
10	10	↔	Hospitality and leisure	121	37	↓
1	8	↑	Infrastructure management	252	243	↓
5	6	↑	Agriculture and forestry	25	254	↑
9	6	↓	Professional / Business services	56	25	↓
3	3	↔	Aerospace and defense	15	31	↑
1	0	↓	Aviation	5	-	↓

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Partner and Leader - Recovery and Reorganisation

2023 – Hope and despair for IBC?

There were many hopes around the Insolvency and Bankruptcy Code, 2016 (IBC or Code) during 2023. Early into the new year, the Ministry of Corporate Affairs issued a discussion paper inviting comments from the public for the changes to be considered to the Code. It was widely accepted that the Code needed some important amendments to strengthen its functioning and remove some anomalies created by a few pronouncements from various adjudicating authorities based on their interpretation of the law. The various proposals include provisions for increasing the speed of admission, removal of judicial interpretation of establishing default, improving outcomes in real estate cases, and several other initiatives to improve the speed of the process.

However, the amendments remained on paper and never saw the light of day. The government was seized with other priorities of running a country as large and diverse as ours. What we considered important and useful requirements remained low on their priority list. The delay in promulgating some of the proposed amendments has led to continued litigation and delays at various stages of the corporate insolvency resolution process and liquidation – admission, resolution plans, distribution, and handover to new management.

All is not lost, and there is still hope. The government and regulators are aware and conscious of the challenges in IBC and the inordinate delays at various stages of the process. Some smart officers at MCA monitor the situation and take multiple corrective actions to the greatest extent possible. While the fundamental issues can only be addressed by legislative changes, even the government's attention to some problems and small nudges lead to visible differences in the outcomes. We have seen a significant improvement in the pace of Resolution Plan approvals in the latter part of 2023. This will hopefully reduce the long-time complaints from lenders and resolution providers alike that significant value is eroded when the CoC has approved a plan and the company is finally handed over to the successful bidders.

As of September 2023, of the 7,058 cases admitted to the CIRP process, 5,057 cases have been closed (72% compared to 67% last year). The number of cases closed with approval of the resolution plan improved from 553 last year to 808 in September 2023. The ratio of cases closed due to settlement or withdrawals under 12A continued at the same scale. The unfortunate statistic is that the average time for successful plans has further slipped from 785 days to 867 days, including the time taken by adjudicating authorities.

Out of admitted CIRPs yielding resolution plans, the realisation by FCs has improved to 3% of their accepted claims compared to 31% in the last year. However, it is encouraging that the FCs recoveries, compared to liquidation values, remain above 175%.

During 2023, we saw some of the significant cases in the distressed Financial Services space - SREI Infra, SREI Equipment Finance, and Reliance Capital Limited being finally resolved and even handed over to the successful bidders (for Reliance Capital, RBI has approved the plan in late November and handover likely soon). Multiple litigations, including those of unsuccessful bidders like Authum in the case of SREI duo and Torrent in the case of Reliance Capital, continue. Still, there is significant progress and creditors have received their recovery amounts.

During 2023, we were also looking forward to some impact of the National Asset Reconstruction Company (NARCL), the colloquial “bad bank” set up in September 2021. However, it is widely accepted that NARCL (and its sister company, IDRCL) has not significantly impacted or felt its presence in the distressed credit space. People attribute this to its complex set-up, lack of clear policies for transferring unresolved debt within banks, conservative and unattractive prices offered, and more. However, with the conclusive purchase of SREI duo NBFC companies under CIRP, which was closed only in December 2023, NARCL seems to be announcing its arrival and more significant presence in this space in the future.

As we bid goodbye to 2023, the outlook for 2024 remains optimistic. A few important amendments and new provisions, such as Group insolvency and cross-border framework, must see the light of day. Efforts towards improving the timelines of the process and removing ambiguities through some legislative changes will be critical for reviving the faith of creditors and investors alike in this important economic reform introduced by the government in 2016.

D

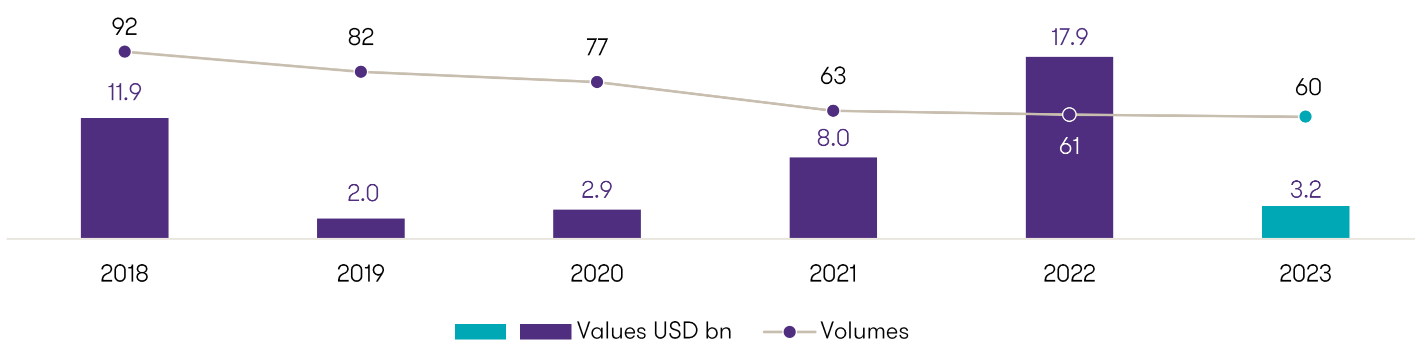
Outbound activity was stable with no billion-dollar deals

Outbound M&A deal trend

The outbound activity in 2023 witnessed 60 deals valuing USD 3.2 bn, indicating a flat trend in volumes. However, values experienced a significant 82% decline, primarily attributed to Adani's USD 10.5 billion acquisition of Ambuja Cement and ACC Ltd and Biocon's USD 3.3 billion acquisition of Viatric Inc, witnessed in 2022. However, barring those deals, the segment still witnessed over 22% decline in values, reflecting a focus on smaller deals. Outbound activity in 2023 lacked billion-dollar deals and featured 12 high-value transactions, a notable contrast to the three billion-dollar deals and six high-value transactions witnessed in 2022. As the dealmakers grappled with general economic uncertainties, challenges in the U.S. banking sector in the early part of the year also took a toll.

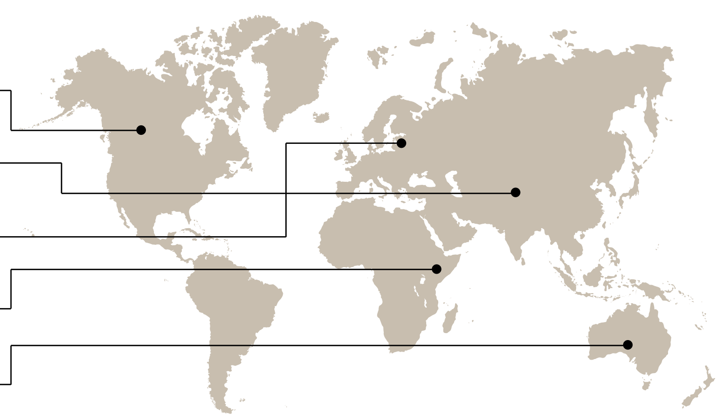
Samvardhana Motherson International executed five outbound transactions valuing USD 879 million this year, contributing to 28% of the overall outbound values. This year's outbound volumes were led by IT, pharma, and manufacturing, contributing to 67% of the outbound volumes while automotive, IT, and pharma led the values contributing a 66% share.

Top three deals					
UPL Corp - Arysta Lifescience (USD 4.2 bn) Novelis Inc - Aleris Corporation (USD 2.6 bn) HCL Technologies – IBM - 8 Software Products (USD 1.8 bn)	OYORooms - Leisure Group (~USD 0.4 bn) Cairn India Holdings - Anglo American (USD 0.2 bn) Hexaware Technologies - Mobiquity Inc. (USD 0.2 bn)	Haldia Petrochemicals - Lummus Technology (USD 1.5 bn) Infosys Ltd - Simplus- Outbox Systems (USD 0.3 bn) Infosys Ltd - Blue Acorn (USD 0.1 bn)	Adani Green Energy - SB Energy India (USD 3.5 bn) Wipro – Capco (USD 1.5bn) Bharti Global - Oneweb Ltd (USD 0.5 bn) Byju's - Epic! Creations, Inc (USD 0.5 bn)	Adani Group - Ambuja Cement Ltd and ACC Ltd (USD 10.5 bn) Biocon Ltd - Viatris Inc. (USD 3.3 bn) Axis Bank - Citicorp Finance's Indian consumer businesses (USD 1.6 bn)	Samvardhana Motherson - SAS Autosystemtechnik GmbH & Co (USD 0.6 bn) Infosys - Danske IT and Support Services (USD 0.5 bn) HCL Technologies - ASAP Holding Gmbh (USD 0.3 bn)
Deals >=USD 1 bn					
3	0	1	2	3	0



Outbound interest

Volumes	Values USD mn	Continents
20	449	North America
14	629	Asia
23	1,837	Europe
1	159	Africa
2	115	Australia



Top five outbound deals 2023

Top five outbound deals constituted **52%** of total outbound values.

Acquirer	Target	Sector	Value
Samvardhana Motherson International Ltd	SAS Autosystemtechnik GmbH & Co .	Automotive	USD 578 mn
Infosys Ltd	Danske IT And Support Services India Pvt Ltd	IT & ITeS	USD 454 mn
HCL Technologies Ltd	ASAP Holding Gmbh	Automotive	USD 280 mn
IKS Health Ltd	Aquity Solutions, LLC	Pharma, healthcare and biotech	USD 200 mn
Varun beverages Ltd	The Beverage Company	Retail and consumer	USD 159 mn

Acquirer Target Sector

Sector movement compared to 2023

Volumes 2022	Volumes 2023	Volumes Up/Down	Sectors	Values USD bn 2022	Values USD bn 2023	Values Up/Down
22	16	↓	IT & ITeS	1,408	573	↓
8	11	↑	Pharma, healthcare and biotech	3,595	531	↓
5	7	↑	Manufacturing	10,667	522	↓
4	6	↑	Media and entertainment	85	18	↓
2	3	↑	Automotive	84	986	↑
3	3	↔	Hospitality and leisure	109	237	↑
5	3	↓	Retail and consumer	25	212	↑
2	3	↑	Education	104	13	↓
4	2	↓	Banking and financial services	1,665	10	↓
3	2	↓	Energy and natural resources	163	7	↓
0	2	↑	Telecom	-	72	↑
1	2	↑	Professional / Business services	37	10	↓
2	0	↓	E-commerce	4	-	↓

Inbound activity witnesses higher deal flow with notable transactions

Inbound M&A deal trend

A total of 84 deals, amounting to USD 7.7 billion contributed significantly, with two billion-dollar deals and eight high-value transactions (>USD 100 million) collectively constituting 90% of the inbound values, totaling USD 6.9 billion. While inbound consolidations did not spearhead M&A activity, there was a notable upswing in overall deal activity, witnessing a 37% increase in volumes and an impressive 178% surge in values. This underscores India's attractiveness as a destination and highlights its domestic resilience.

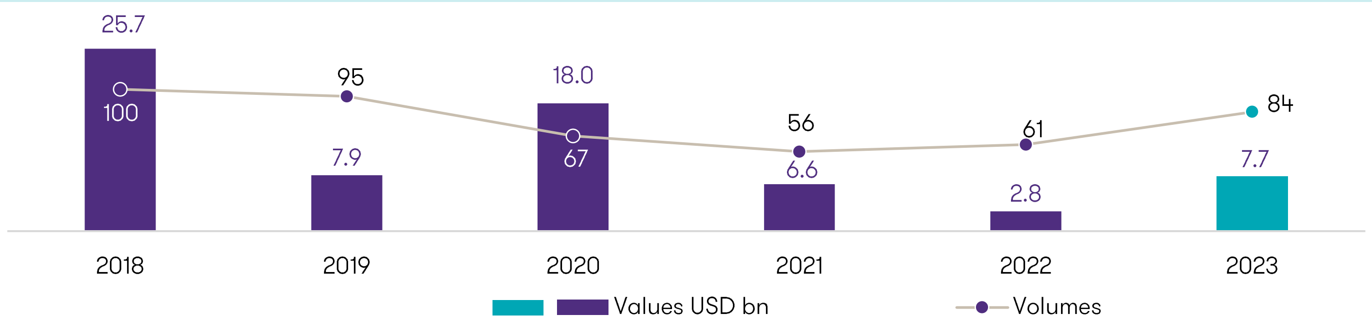
The IT & ITeS sector took the lead in inbound volumes, followed by startups and banking, accounting for 46% of the deals, underscoring robust technological advancements and opportunities. Meanwhile, energy and natural resources, along with the e-commerce and IT sectors, dominated in values, contributing a substantial 71% share. This trend signifies that despite challenges in global markets, India remains an appealing destination for foreign investors seeking high returns on their portfolios.

Top three deals

Walmart – Flipkart (USD 16 bn) Schneider Electric SA – L&T Ltd- electrical and automation business (USD 2.1 bn) Teleperformance - Intelenet Global Services (USD 1 bn)	Cayman – OYORooms (USD 2 bn) Total SE - Adani Gas Ltd (USD 0.9 bn) Nippon Life Insurance and existing investors - Reliance Nippon Life Asset Management Ltd (USD 0.9 bn)	Facebook Inc. - Jio Platforms Ltd (USD 5.7 bn) Google LLC - Jio Platforms Ltd (USD 4.4 bn) Groupe Aeroports de Paris SA (ADP) - GMR Airports Holding Ltd (USD 1.4 bn)	Total SE - Adani Green Energy Ltd (USD 2.5 bn) Sumitomo Mitsui Financial Group - Fullerton India Credit Company Ltd (USD 2 bn) Global Power Synergy Public Company Ltd - Avaada Energy (USD 0.5 bn)	Google LLC - Bharti Airtel Ltd (USD 0.7 bn) Compagnie Plastic Omnium SE - Varroc Engineering- four-wheeler lighting system operations (USD 0.6 bn) Resurgent Power Ventures - South East U.P. Power Transmission Company (USD 0.4 bn)	Siemens AG - Siemens Ltd (USD 2.3 bn) Walmart Inc – Flipkart (USD 1.4 bn) Proximus Opal SA - Route Mobile Ltd (USD 0.7 bn)

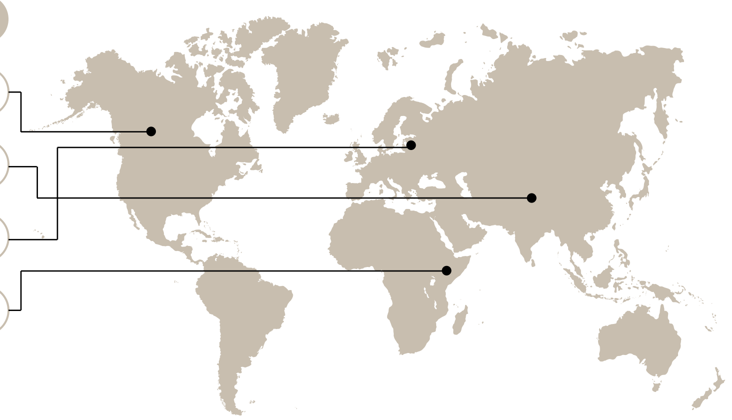
Deals >=USD 1 bn

3	1	5	2	0	2



Inbound interest

Volumes	Values USD bn	Continents
32	1,974	North America
22	933	Asia
29	4,749	Europe
1	5	Africa



Top five inbound deals

Top five inbound deals constituted **74%** of total inbound values

Acquirer	Target	Sector	Value
Siemens AG	Siemens Ltd	Energy and natural resources	USD 2,280 mn
Walmart Inc	Flipkart	E-commerce	USD 1,400 mn
Proximus Opal SA	Route Mobile	IT & ITeS	USD 721 mn
Sumitomo Realty and Development Co	Bombay Dyeing and Manufacturing Co	Real estate	USD 627 mn
Rapyd Financial Network	PayU Payments-Global payments business	IT & ITeS	USD 610 mn

Acquirer Target Sector

Sector movement compared to 2022

Volumes 2022	Volumes 2023	Volumes Up/Down	Sectors	Values USD bn 2022	Values USD bn 2023	Values Up/Down
14	21	↑	IT & ITeS	66	1,457	↑
15	10	↓	Start-up	64	176	↑
2	8	↑	Banking and financial services	172	848	↑
3	8	↑	Pharma, healthcare and biotech	15	123	↑
5	6	↑	E-commerce	41	1,656	↑
3	6	↑	Professional / Business services	24	195	↑
0	5	↑	Transport and logistics	-	50	↑
2	5	↑	Media and entertainment	10	25	↑
6	4	↓	Manufacturing	156	87	↓
2	3	↑	Energy and natural resources	743	2,353	↑
1	3	↑	Real estate	5	663	↑
3	2	↓	Retail and consumer	80	15	↓
1	2	↑	Education	5	10	↑
1	1	↔	Automotive	631	3	↓
1	0	↓	Telecom	700	-	↓
1	0	↓	Aviation	37	-	↓
1	0	↓	Infrastructure management	5	-	↓

Geographic spread of deals crossing borders

Country	Inbound Volumes	Inbound Values	Outbound Volumes	Outbound Values
U.S.A	31	1,969	18	402
Japan	9	704	1	128
U.K	9	1,065	5	67
U.A.E	5	36	4	64
France	4	20	3	53
Germany	5	2,300	5	999
Singapore	3	15	2	10
Switzerland	2	524	2	134
Malaysia	2	95	1	5
Netherlands	1	19	1	80
Europe	1	4	18	402
Belgium	1	721	1	5
Sweden	2	77		
South Korea	1	10		
Turkey	1	5		
Norway	1	5		
Romania	1	5		
Saudi Arabia	1	5		
South Africa			1	159
Ireland	1	5		
Mauritius	1	5		
Israel			2	6
Spain			1	27
Australia			2	115
Thailand	1	68	1	129
Indonesia			2	162

Inbound Volumes / Values

Outbound Volumes / Values

Grant Thornton Bharat Insights

Pallavi Bakhru
Partner and Leader-UK Corridor

For companies in the UK, India offers great opportunities for off-shoring support services, including the Banking, insurance, and FinTech companies. For businesses wanting to expand their global manufacturing footprint, India offers opportunities for local consumption and exports.

In the UK, IT & Technology, research and development capabilities in pharmaceutical research and energy transition solutions and EV, EV charging solution-focused businesses are the biggest attraction for Indian investors, and they continuously scout for acquisitions or collaboration.

With the renewed engagement between both governments and the impending FTA, the M&A landscape looks promising, and both countries stand to benefit from this continued partnership, fostering economic development and technological advancements.

2

Private equity

A Sector trend

B Deal board

C Cities in focus

D PE exit trend

Tech-savvy sectors continue to lead despite a decline in deal activity

In 2023, the private equity sector witnessed 1,045 deals totalling USD 27.4 billion, indicating a 32% decrease in volumes and a 23% decline in values compared to the previous year. However, the average deal value rose from USD 23 million to USD 26 million. The PE activity began the year with high values but experienced a decline in the latter part. Despite startups leading in volumes, they faced a 42% decrease, amounting to USD 2.6 billion. Within the startup segment, the retail sector contributed the highest number of deals, making up 20% of startup volumes, followed by the FinTech and SaaS segments with 15% and 14%, respectively.

E-commerce and IT sectors followed startups in terms of volumes, comprising 181 deals totaling USD 5.5 billion. The pharmaceutical sector led in PE values, followed by e-commerce, energy, and banking, contributing to 56% of the PE values, totaling USD 15.3 billion.

While PE activity witnessed an overall decline, the banking (financial services), energy (cleantech), manufacturing, and real estate sectors experienced a surge in deal activities. Sectors such as pharma (hospitals and biopharmaceuticals), energy (cleantech), retail, and real estate attracted significant investments. On the other hand, the automotive, hospitality, telecom, transport, and logistics sectors saw an overall increase in values compared to the previous year.

Volumes			Sectors	Values USD mn		
2021	2022	2023		2021	2022	2023
1,075	990	571	Start-ups	10,920	7,123	2,617
168	160	120	E-commerce	14,894	6,521	3,821
69	70	61	IT & ITeS	5,961	1,947	1,674
31	31	38	Banking and financial services	2,029	3,196	3,062
39	42	38	Pharma, healthcare and biotech	2,044	1,711	5,063
53	41	36	Retail and consumer	1,347	1,504	2,715
48	40	25	Education	3,481	2,500	296
12	26	24	Automotive	362	687	1,262
18	13	23	Manufacturing	432	641	597
11	12	18	Real estate	471	424	1,611
14	13	17	Energy and natural resources	1,061	2,265	3,398
17	14	15	Hospitality and leisure	211	162	256
10	12	14	Aerospace and defense	36	126	114
22	19	12	Media and entertainment	2,001	2,828	181
7	15	11	Agriculture and forestry	239	897	148
8	15	10	Professional / Business services	52	95	39
7	9	5	Infrastructure Management	529	2,696	313
10	5	4	Transport and logistics	996	49	118
6	4	3	Telecom	1,087	79	124

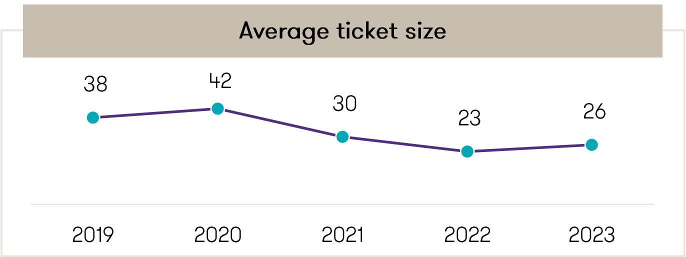
Deal board

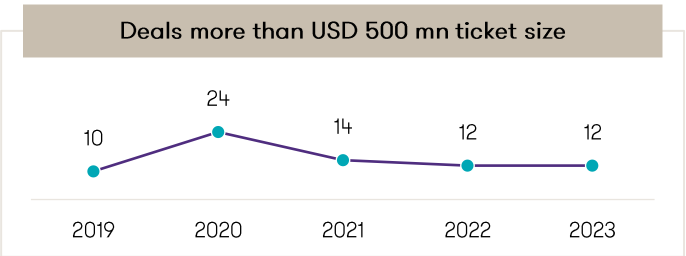
Top PE deals in 2023 constituted 34% of PE values

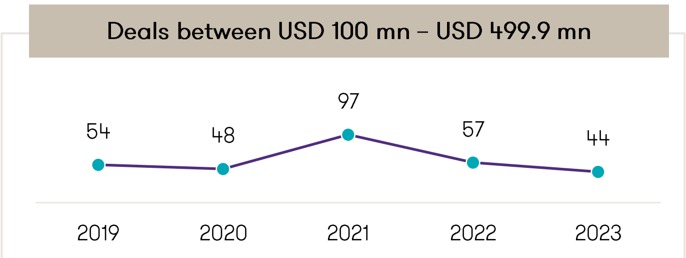
Investor	Investee	Sector	% stake	USD million
Temasek Holdings	Manipal Health Enterprises Pvt Ltd	Pharma, healthcare and biotech	41%	2,000
BPEA EQT and ChrysCapital	HDFC Credila Financial Services Ltd	Banking and financial services	90%	1,105
Qatar Investment Authority	Reliance Retail Ventures Ltd	Retail and consumer	1%	1,010
Brookfield Global Transition Fund	Avaada Ventures Pvt Ltd	Energy and natural resources	N.A.	1,000
GIC and Brookfield India Real Estate Investment Trust	Brookfield's Downtown Powai	Real Estate	50%	793
Advent International	Suven Life Sciences Limited	Pharma, healthcare, and biotech	50%	770
GIC, Orix Corporation, Abu Dhabi Investment Authority and angel investors	Greenko Group	Energy and natural resources	N.A.	700
BPEA EQT	Indira IVF Hospital Pvt. Ltd	Pharma, healthcare, and biotech	N.A.	657
Abu Dhabi Investment Authority	Reliance Retail Ventures Ltd	Retail and consumer	0.6%	598
Blackstone Group Lp	Quality Care India Limited	Pharma, healthcare, and biotech	N.A.	591

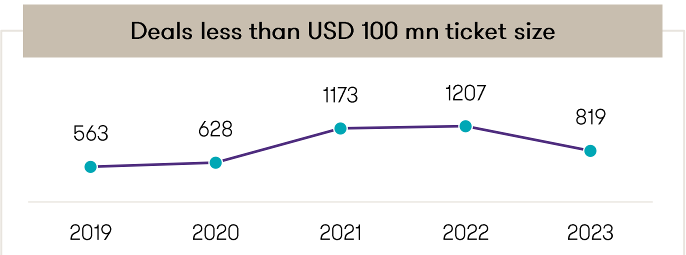
PE/VCs investments - Trends in ticket size

The year recorded four deals in the billion-dollar category and 54 deals valued between USD 100 million and USD 999 million, accounting for 71% of total PE deal values.









Grant Thornton Bharat Insights

Vishal Agarwal
Partner, Transaction Tax
Leader - Private Equity Channel

2023 shows the path to 2024

The last three years have been quite the ride for private equity/venture capital ('PE') funds in India. With the excitement of 2020 and 2021, seeing USD 35 billion and USD 48 billion invested, respectively, into Indian firms, it was a time of hectic deal-making and one which resulted in a record number of unicorns being created. Then came the inflation and interest rate challenges of 2022, which made money expensive, pausing the rush for investments to evaluate true quality and value, resulting in a sharp decline in PE investment activity in 2022.

PE investments continued to fall in 2023, going down by approximately 23% in value terms and more than 32% in volumes. Within this, the values were driven by pharma, healthcare and biotech, energy and natural resources, approximating 30% of all deal values, with another 14% by E-commerce and 11% by financial services. Technology sectors and start-ups appeared to drive volumes, approximately 70% among them.

Three major trends emerged in 2023: Firstly, PE activity was driven by control deals, led by the acquisition of Manipal Hospitals by Temasek and HDFC Credilla by BPEA EQT and Chrys Capital. Both deals indicate the high level of interest in healthcare and financial services by PE funds during the year. Secondly, PE funds were able to use the opportunity provided by robust capital markets to exit through IPOs, block deals, and open market activities. Importantly, while some of these have been large exits, they do not seem to have disrupted or disturbed the markets materially, which are at all-time highs near the end of 2023. Thirdly, while there remained a high demand for capital, PE funds across the board could hold onto capital and were quite selective in their investments, thus retaining 'dry powder' and using the opportunity to return funds to investors. These three trends set the stage for 2024.

Outlook for 2024

It appears that 2024 will determine its direction as we progress. Interest rate hikes were put on hold in India in April 2023, in the US since June 2023, and in the EU from October 2023. The US has indicated that interest rates have peaked, with the possibility of a few rate cuts in 2024. On the other hand, the EU and Japan seem unconvinced that rate reductions are imminent. The ongoing debate on whether there will be a 'soft landing' or not is expected to continue throughout 2024, with central banks playing a significant role in shaping the agenda.

Additionally, there are two active wars, and there is a looming risk of the Israel-Hamas confrontation expanding, further complicating global geopolitics. From an Indian perspective, despite a growth rate of around 7%, making India the fastest-growing large economy globally, the upcoming general election introduces an element of caution for most investors.

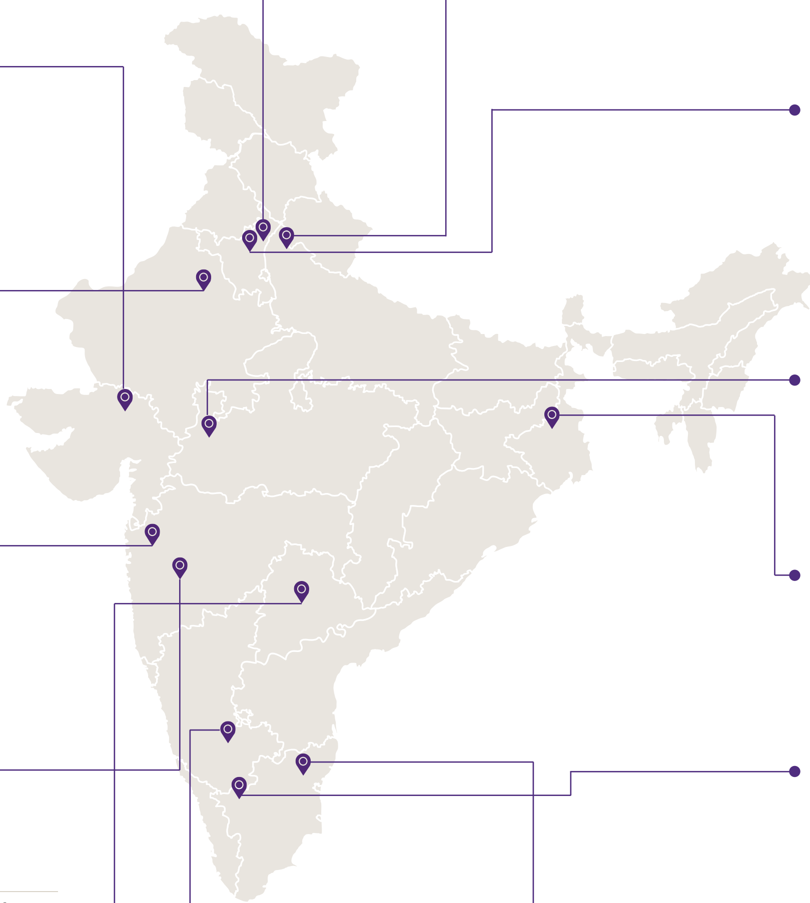
Consequently, we expect a cautious start to 2024 globally. Three factors could decisively determine the direction of 2024 for India: (i) a stable Indian government; (ii) a clear direction for softening global interest rates; and (iii) strong growth numbers in India. PE funds face the choice of waiting for clarity or deploying the 'dry powder' amassed from a year full of exits in 2023, actively putting their risk capital to use. With PE firmly established as the fourth pillar in the capital-raising machinery for Indian growth, alongside government support, public capital, and loans from financial institutions, the upcoming decade could witness PE funds and firms operated by PE entities steering some of India's most crucial growth and transformation narratives. While the direction of 2024 is yet to be determined, PE risk capital may emerge as the frontrunner in driving significant developments.

Regional dynamics in PE landscape; Bangalore, NCR, and Mumbai continue to lead

Cities in focus

Bangalore maintained its dominance in PE deal volumes, securing the top position for several consecutive years with 296 deals in the current year. This accounted for 28% of the total PE volumes. Following closely, the National Capital Region (NCR) recorded 275 deals, and Mumbai secured the third position with 203 deals. In terms of values, Mumbai led the charts, trailed by the NCR region and Bangalore. These three key cities collectively contributed to a significant 74% of the overall PE values for the year.

Beyond the metropolitan centers, Hyderabad emerged as a strong performer in terms of values, attracting investments totaling USD 3 billion through 42 deals. Chennai and Pune also maintained their vibrancy, continuing to draw interest from private equity investors. Tier II cities that performed well in terms of volumes were Jaipur, Coimbatore, Indore, and some parts of Kerela.



Delhi
Values: 3,452 Volumes: 107
Top sector: Start-up
Values: 257 Volumes: 63
Leading sector: E-commerce
Values: 644 Volumes: 10

Ahmedabad
Values: 59 Volumes: 22
Top sector: Start-up
Values: 17 Volumes: 12
Leading sector: E-commerce
Values: 20 Volumes: 4

Jaipur
Values: 183 Volumes: 12
Top sector: Start-up
Values: 3 Volumes: 3
Leading sector: Banking and financial services
Values: 4 Volumes: 2

Mumbai
Values: 8,639 Volumes: 203
Top sector: Start-up
Values: 660 Volumes: 100
Leading sector: E-commerce
Values: 960 Volumes: 25

Pune
Values: 652 Volumes: 43
Top sector: Start-up
Values: 46 Volumes: 17
Leading sector: E-commerce, IT & IT-es
Values: 415 Volumes: 12

Hyderabad
Values: 2,975 Volumes: 42
Top sector: Pharma, healthcare, and biotech
Values: 62 Volumes: 15
Leading sector: E-commerce
Values: 1,598 Volumes: 5

Bangalore
Values: 6,569 Volumes: 296
Top sector: Start-up
Values: 1,104 Volumes: 187
Leading sector: E-commerce
Values: 1,507 Volumes: 26

Gurgaon
Values: 1,471 Volumes: 129
Top sector: Start-up
Values: 224 Volumes: 76
Leading sector: E-commerce
Values: 443 Volumes: 29

Noida
Values: 115 Volumes: 41
Top sector: Start-up
Values: 46 Volumes: 24
Leading sector: E-commerce
Values: 23 Volumes: 4

Indore
Values: 14 Volumes: 6
Top sector: Start-up
Values: 11 Volumes: 5

Kolkata
Values: 151 Volumes: 12
Top sector: Start-up
Values: 9 Volumes: 6

Coimbatore
Values: 141 Volumes: 8
Top sector: Start-up
Values: 6 Volumes: 5

Chennai
Values: 832 Volumes: 45
Top sector: Start-up
Values: 62 Volumes: 19
Leading sector: IT & IT-es
Values: 96 Volumes: 6

This map is for graphical purposes only. It does not represent a legal survey.

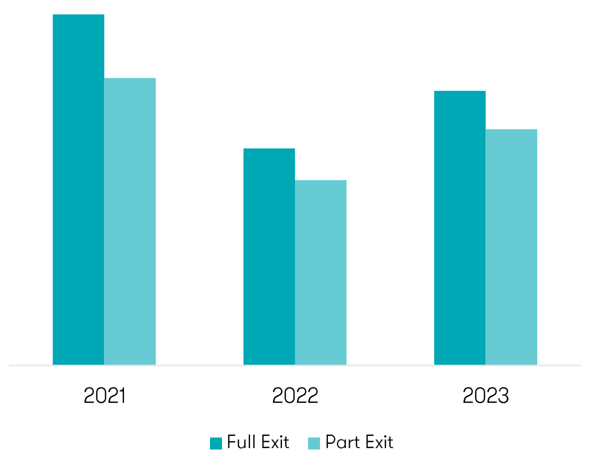
Values in USD mn

PE exits surge in 2023, with secondary sales dominating

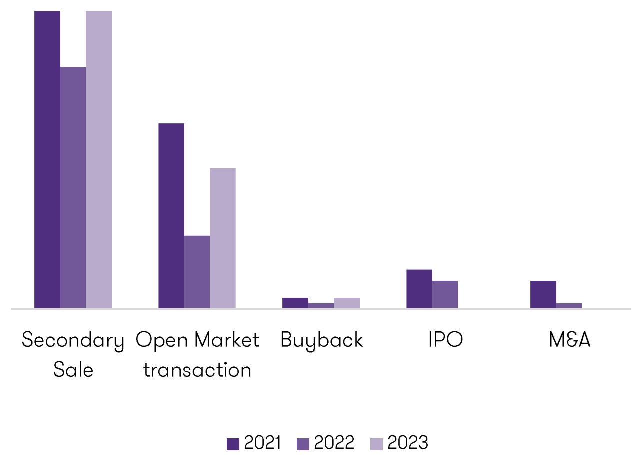
PE exits in 2023 experienced a sudden upswing as investors actively pursued opportunities at favorable valuations. The year saw 79 exits, amounting to USD 10.5 billion, reflecting a 25% increase in volumes and an impressive 103% surge in values compared to the previous year, driven by an improvement in global risk appetite and local factors such as the outcome of state elections and continued India macro resilience.

Many companies opted for the secondary sale of their shares, finding the right valuation and an optimal exit strategy for their investments. Notably, the open market sale exit route dominated the largest exits in terms of value. The e-commerce sector played a prominent role in volumes and values, contributing to 23 exits totaling USD 3.3 billion.

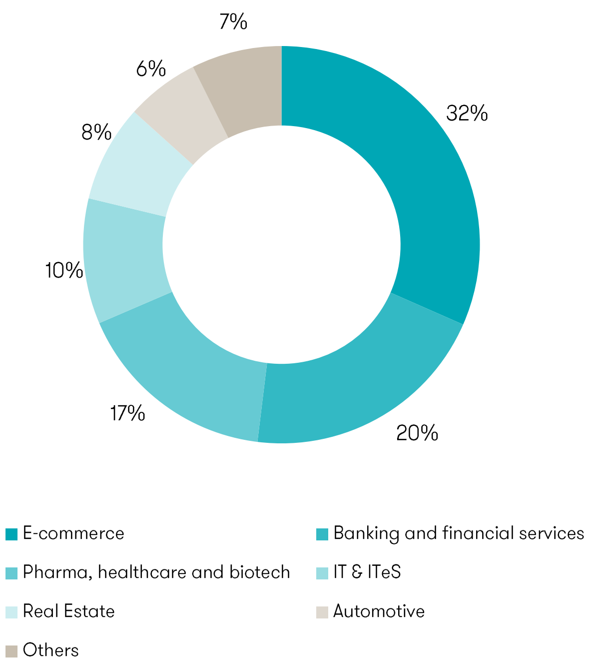
PE exit trend



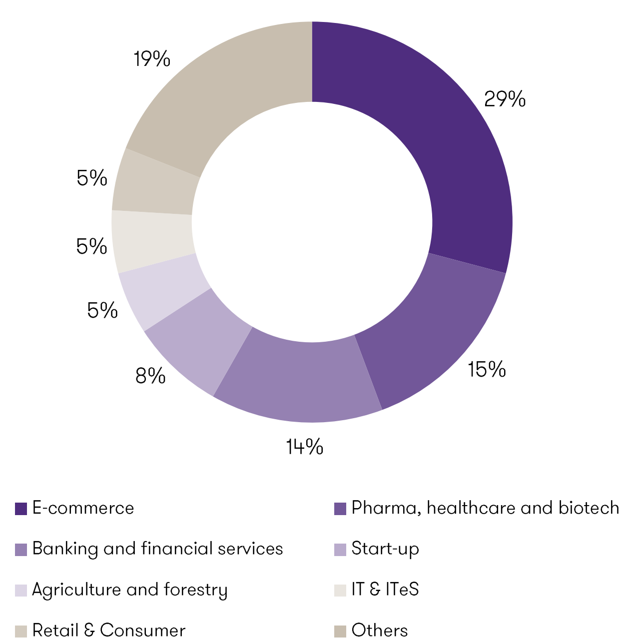
PE exit route



Sector exit by values



Sector exit by volumes



Notable PE exits

Investor exited	Investee Company	Part/Full Exit	Sector
Tiger Global and Accel Partners	Flipkart Online Services Pvt Ltd	Full Exit	E-commerce
Blackstone Group	Embassy Office Parks REIT	Full Exit	Real Estate
Jasti family	Suven Life Sciences Limited	Full Exit	Pharma, healthcare, and biotech
Canada Pension fund	Kotak Mahindra Bank Limited	Part Exit	Banking and financial services
Ant Group	One97 Communications Ltd- Paytm	Part Exit	E-commerce
Prosus	PayU Payments Private Limited-offline merchant acquiring business	Part Exit	IT & IT-eS
Blackstone	Sona BLW Precision Forgings Limited	Full Exit	Automotive
TPG	Quality CARE India Limited - Care Hospitals	Part Exit	Pharma, healthcare, and biotech
Blackstone Group	IBS Software Services Pvt Ltd	Full Exit	IT & IT-eS
Abdrn PLC	HDFC Asset Management Co Ltd	Full Exit	Banking and financial services

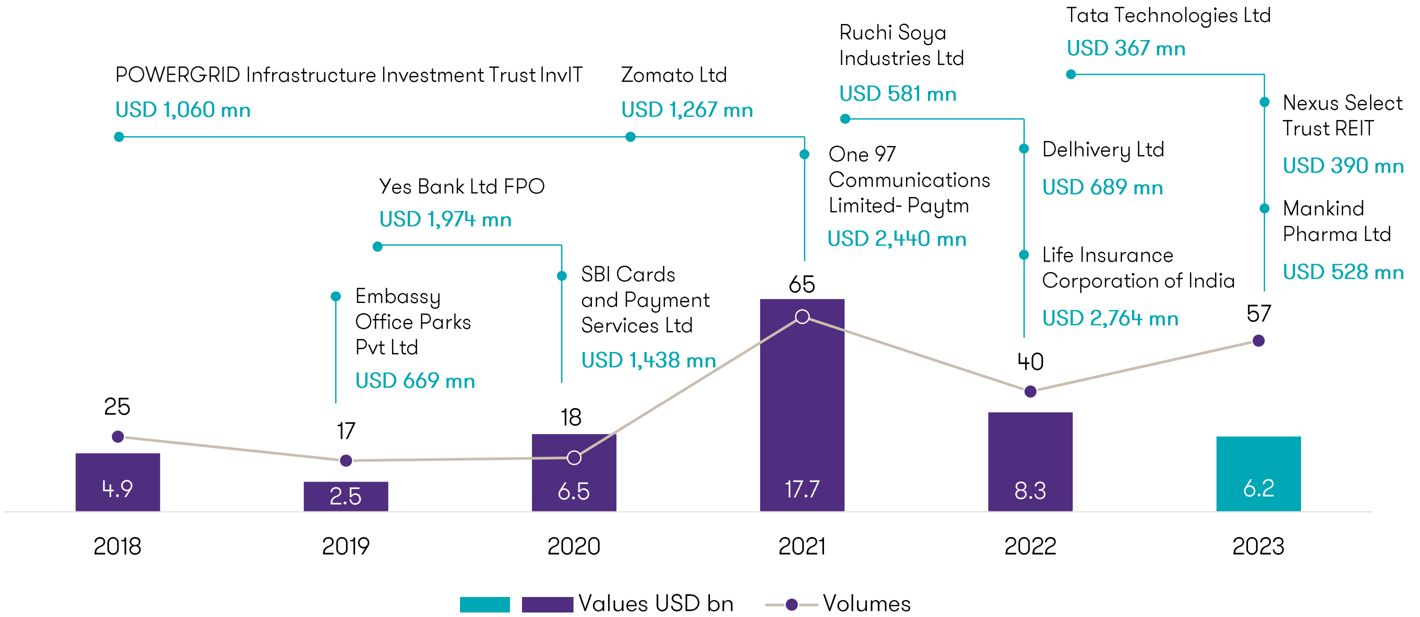
3

IPO and QIP

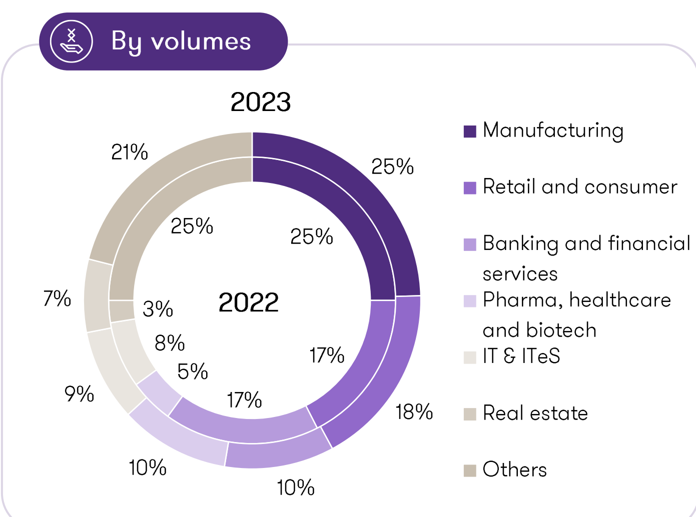
IPO witness second best year, marked by manufacturing sector dominance

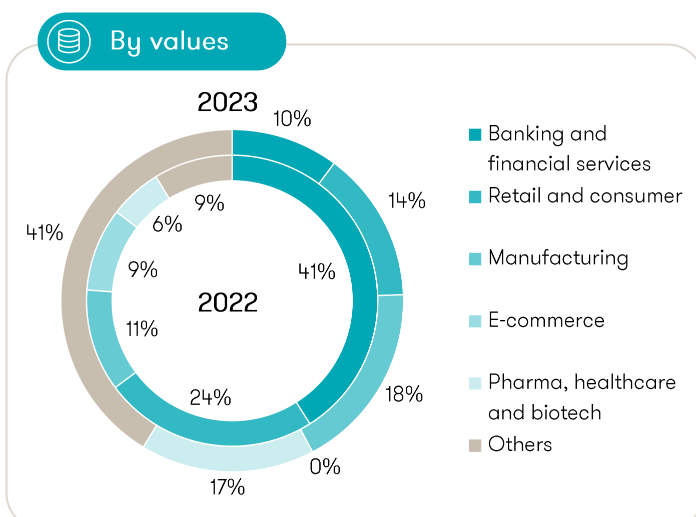
IPO snapshot

The year witnessed 57 IPO listings raising USD 6.2 billion, a 43% increase in volumes, and a 24% decrease in values compared to 2022. Despite a slow start in the first half of 2023, with only 11 companies going public and raising USD 1.4 billion, the market saw a remarkable turnaround in the second half, totaling 46 companies raising an impressive USD 4.8 billion. This IPO surge is mainly due to the active participation of retail investors, often leading to IPOs being swamped with subscriptions, underscoring their increasing interest in the markets and their optimism regarding the future of the Indian economy. Nearly all traditional and new-age sectors witnessed significant growth in IPO activity compared to the previous year. SEBI's move towards the IPO listing timeline from T+6 (Trade plus six days) to T+3 (Trade plus three days), increasing lock-in periods for anchor investors, etc., has several potential benefits, including enhanced investor liquidity, reduced share price volatility, increased market efficiency, and greater investor participation. The record-breaking Tata Technologies IPO was oversubscribed 69.4 times, received a massive 73.6 lakh applications, and was listed with 140% gains.



IPO sector trend

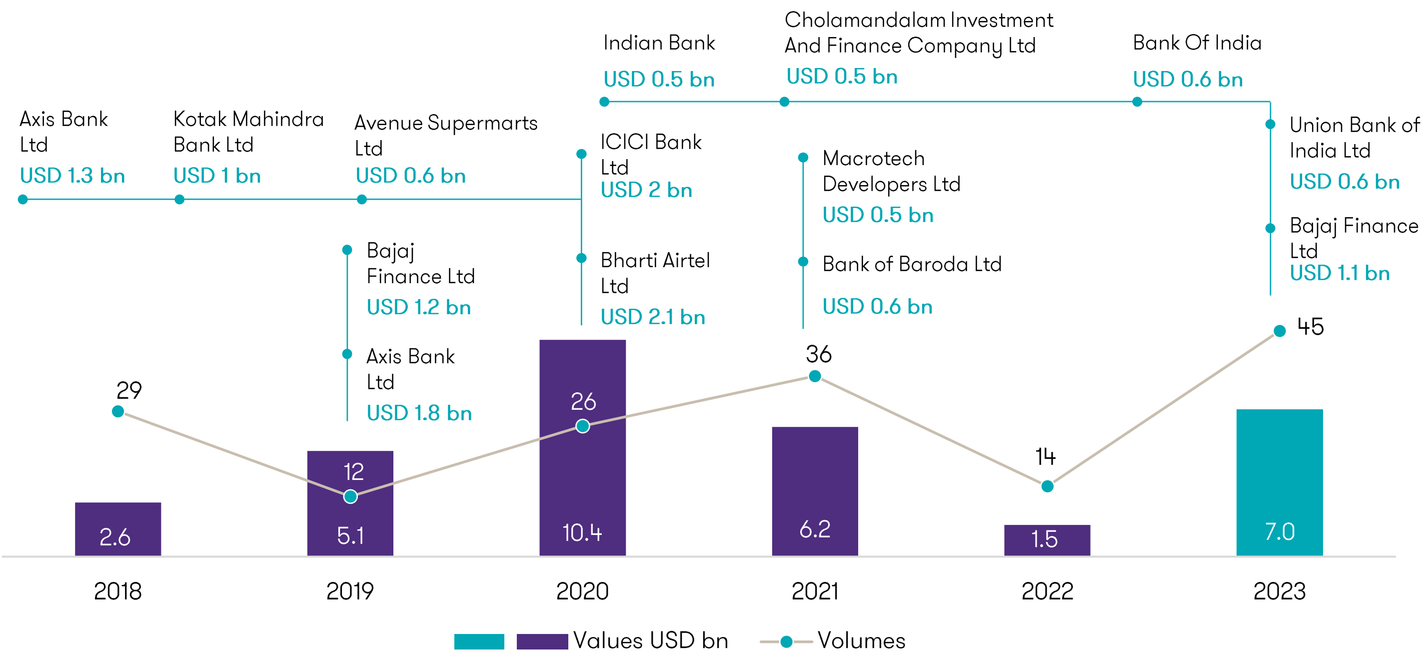




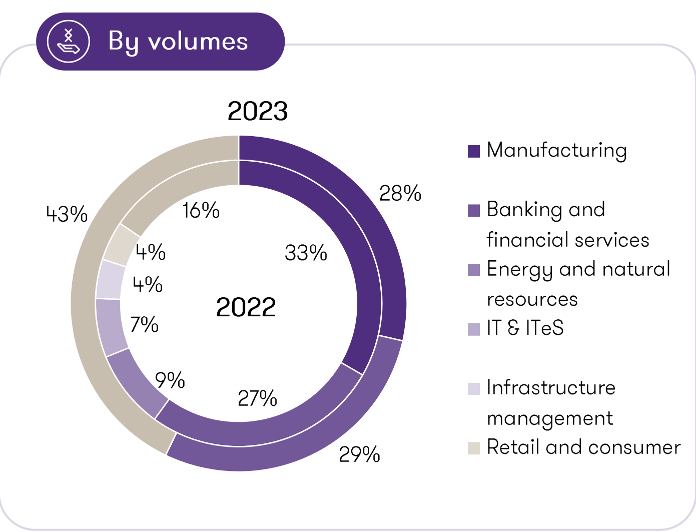
2023 marked record breaking year for QIP with unprecedented growth in volumes

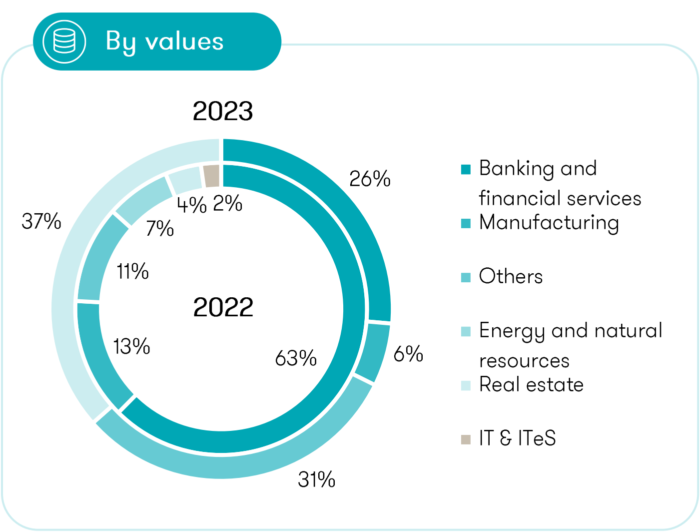
QIP snapshot

Indian companies have increasingly turned to Qualified Institutional Placements (QIPs) as a preferred method for raising funds in 2023. Anticipating economic growth, listed companies are increasingly resorting to QIPs to raise new capital and bolster their financial positions. In the current year, 45 companies have raised a capital of 7 billion compared to only 14 companies raising 1.5 billion in 2022. This rise could be indicative of an improving investor outlook on the Indian market. The issuance is mainly taken by two sectors constituting 60% of the total QIP activity, i.e., the manufacturing sector leading the way with 15 QIP's, Banking and financial services with 12 QIPs, and other sectors like energy and natural resources, IT &ITeS, retail, Hospitality sectors have decently participated in the rise. One Notable issue is Bajaj Finance Limited, which successfully raised USD 1 billion through an offering.



QIP sector trend





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Siddharth Talwar
Partner, FRAS

India leads global IPO surge in 2023, defying market downturn

India has showcased remarkable resilience in the global IPO landscape throughout 2023, standing out amidst a challenging market downturn. Despite global uncertainties and economic fluctuations, India has seen a surge in Initial Public Offerings (IPOs) that has outpaced many other regions worldwide.

Global capital raised from IPOs in the initial nine months of 2023 amounted to USD 90 billion across 975 offerings, a 29% decline in value from the same period last year. The IPO rush in India is particularly noteworthy, given the recent global market downturn. In 2023, India witnessed a staggering 57 mainboard IPOs, raising a robust USD 6.3 billion. This marks a remarkable contrast to the subdued activity of 2022.

Several factors have contributed to India's standout performance:

- Robust domestic demand - Indian companies have leveraged strong domestic demand and investor confidence. The country's growing middle class and increased retail participation in the stock market have fuelled the IPO surge.
- Diverse sectoral participation - Companies from various sectors capitalised on the robust investor appetite, contributing to a range of IPOs. Tech-based firms, especially those in FinTech and software development, continued to garner attention, reflecting India's growing prowess in the tech industry.
- Government support and reforms - Supportive government policies and regulatory reforms aimed at streamlining IPO processes and encouraging market participation have played a significant role in boosting IPO activities
- Foreign Institutional Investors' interest – India's growth potential and the attractiveness of its market have drawn interest from global institutional investors, contributing to the success of IPOs.
- Market sentiment- Despite global market downturns and uncertainties, India's IPO market has remained resilient, indicating investor confidence in the country's long-term prospects.

Overall, the Indian IPO market in 2023 demonstrated resilience, robustness, and an ability to weather market fluctuations. It showcased the dynamism of Indian businesses and the confidence of both domestic and international investors in the country's growth prospects, contributing to a buoyant IPO landscape throughout the year.

4

Sector spotlight

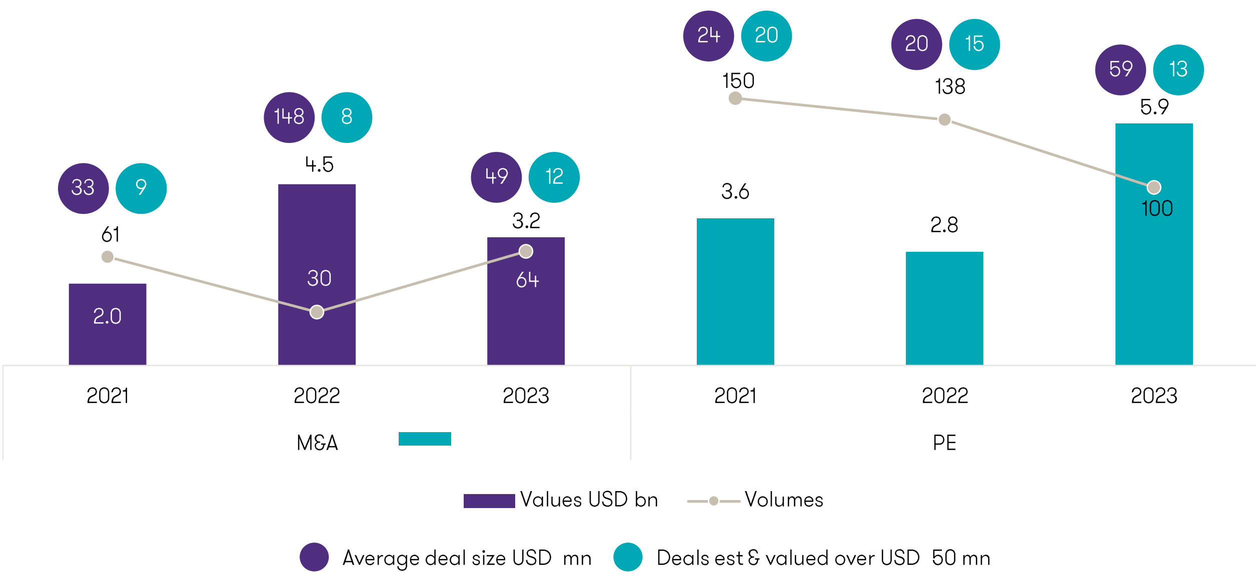
- A Sector trends
- B Pharma, healthcare, and biotech
- C Banking and financial services
- D IT & ITeS
- E Retail and consumer/ E-commerce
- F Automotive

Sector trends

Volumes			Sectors	Values USD bn		
649	618	389	IT & ITeS	13,143	24,333	4,456
485	516	337	Retail and consumer	15,776	9,700	8,759
320	276	206	Banking and financial services	17,815	49,428	7,843
211	168	164	Pharma, healthcare and biotech	5,621	7,241	9,100
82	84	83	Automotive	3,773	2,055	2,903
109	91	72	Media and entertainment	3,312	3,643	1,756
47	35	62	Manufacturing	3,532	12,456	2,868
71	59	40	Education	6,416	2,862	384
32	27	33	Energy and natural resources	8,527	6,456	6,615
15	15	32	Real Estate	796	454	4,981
30	27	24	Hospitality and leisure	444	391	514
15	28	22	Professional / Business services	90	211	266
15	14	22	Transport and logistics	2,155	2,843	868
11	15	17	Aerospace and defense	41	141	144
8	20	17	Agriculture and forestry	244	922	402
13	11	14	Infrastructure Management	759	2,953	559
11	5	5	Telecom	1,615	779	196
2	2	0	Aviation	2,470	42	0

Significant hospital deals drive high values, with API and health-tech dominating volumes

Pharma, healthcare & biotech sector deal trends



Top M&A deals

The top five deals accounted for **56%** of the total sector M&A deal values

Acquirer/Investor	Target/Investee	Sub - Sector	Value
Nirma Ltd	Glenmark Life Sciences	Pharma & Biotech	**USD 689 mn**
Quality Care India Ltd	KIMSHEALTH Management	Hospitals	**USD 402 mn**
Manipal Health Enterprises Ltd	AMRI Hospitals	Hospitals	**USD 280 mn**
Synthimed Labs Pvt Ltd	Ind-Swift Laboratories	Pharma & Biotech	**USD 201 mn**
IKS Health Ltd	Aquity Solutions, LLC	Health Tech	**USD 200 mn**

Top PE deals

The top five deals accounted for **75%** of the total sector PE deal values

Acquirer/Investor	Target/Investee	Sub - Sector	Value
Temasek Holdings	Manipal Health Enterprises	Hospitals	**USD 2,000 mn**
Advent International	Suven Life Sciences	Pharma & Biotech	**USD 770 mn**
BPEA EQT	Indira IVF Hospital	Hospitals	**USD 657 mn**
Blackstone Group	Quality Care India Ltd	Hospitals	**USD 591 mn**
Undisclosed Investors	API Holdings	Health Tech	**USD 420 mn**

Acquirer/Investor Target/Investee Sub - Sector

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Bhanu Prakash Kalmath S J
Partner and National Sector Leader - Lifesciences and Healthcare

Despite a challenging economic climate and sluggish growth in deal activity, the pharma and healthcare sectors continue to attract significant investments, surpassing the deal value of the previous year by 26% in 2023. While deal volume decreased in 2023, the average deal size has risen substantially due to a few large high-value transactions.

From a subsector perspective, the hospital sector emerged as the top performer this year, surpassing life sciences and biotech in deal value. Health tech continued to drive the volumes, though the values were lower, reflecting sustained demand for digital solutions and services in the post-pandemic era.

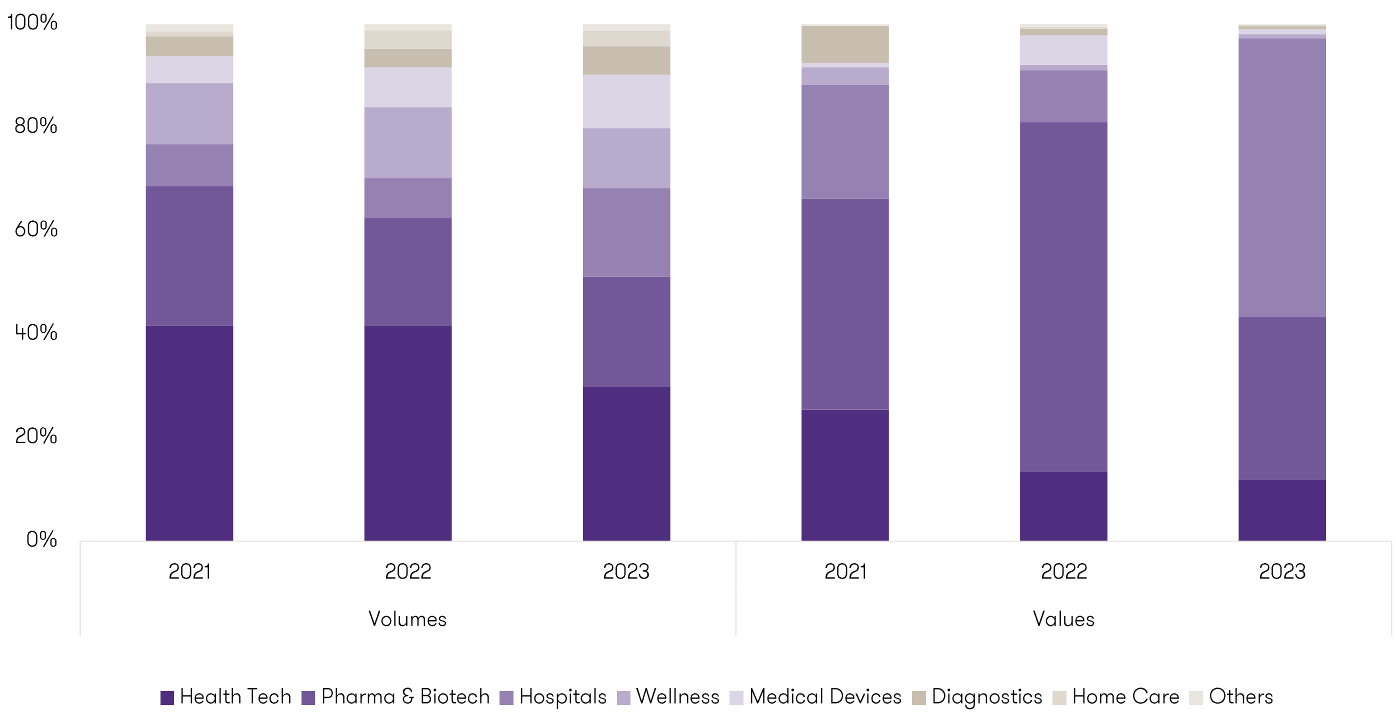
The life sciences sector is experiencing a consolidation wave, marked by strategic investments in the domestic market due to price erosion in the US generics market. Additionally, there is a focus on acquiring products and licenses in regulated markets. Furthermore, CDMO, API, and Biosimilar businesses continue to attract investments. The largest M&A transaction of the year is the Nirma-Glenmark Life Sciences deal, valued at USD 689 million, constituting about 22% of the total M&A values in 2023 for the sector.

In healthcare, although investor interest was subdued in the first half of 2023, companies remain actively engaged in targeted acquisitions and pan-India presence. Single specialty areas such as mother & child care, IVF, and eyecare attracted investments. The Temasek Holdings-Manipal Health deal of USD 2 billion stood out as a mega PE event of the year, representing 34% of the overall PE value for the sector.

Despite existing challenges, the life sciences sector is expected to continue to see deals driven by India's manufacturing prowess backed by cost-efficiency, innovation, supportive policies, and the 'Make in India' push.

With an aging population, increasing focus on preventive healthcare, and government initiatives for universal health coverage through digital infrastructure, including AI, the healthcare sector will continue to offer fertile ground for M&A and PE activity.

Pharma, healthcare & biotech sub sector classification



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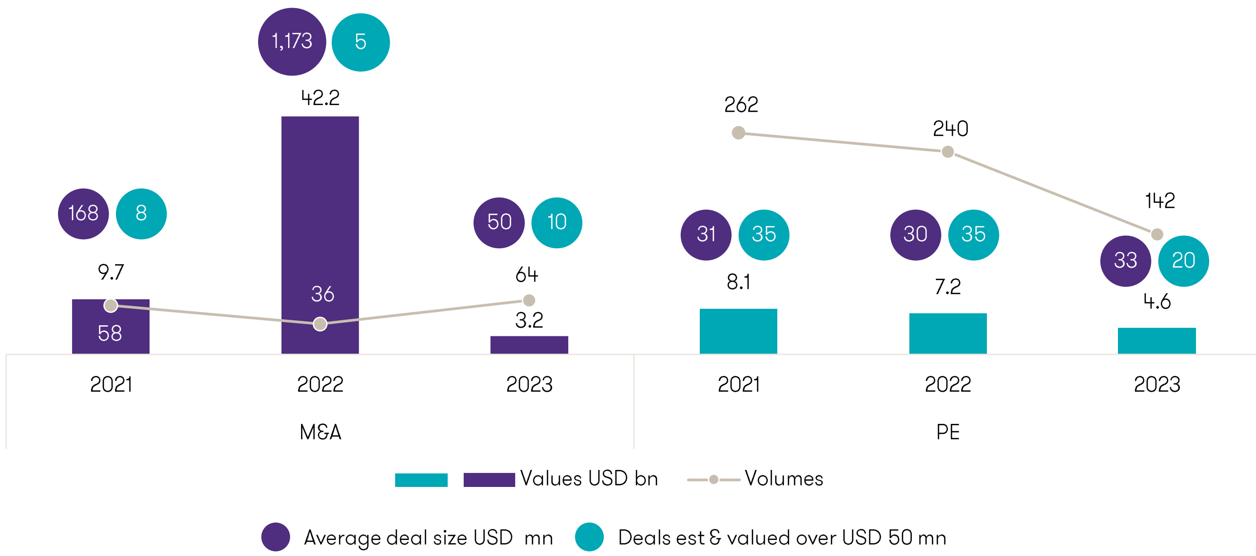
Abhay Anand
Partner, Lead Advisory

This year, there was much higher deal activity in the hospital sector for multi- and single-specialty chains. Notably, major assets have transitioned under the control of private equity firms, which have pursued numerous supplementary acquisitions to enhance their portfolio. This trend of private equity-managed hospital chains is likely to persist due to the appeal of hospitals as an asset class, boasting high returns on capital employed (exceeding 20%). While the pace of deals in the diagnostics sector has decelerated post-COVID, the challenge of maintaining prior growth rates has remained the same. We expect other segments like medical devices, pharma, and health tech to remain buoyant, given that the fundamentals are strong for the long term. In our view, the deal activity in the healthcare space for 2024 will surpass those of 2023.

M&A activity surges, FinTech and NBFC space maintain deal momentum

Banking and financial services sector deal trends



Top M&A deals

The top five deals accounted for **68%** of the total sector M&A deal values

Acquirer/Investor	Target/Investee	Sub - Sector	Value
Rapyd Financial Network Ltd	PayU Payments-global payments business unit	FinTech	**USD 610 mn**
AU Small Finance Bank Ltd	Fincare Small Finance Bank Ltd	Banking & NBFC	**USD 529 mn**
Zurich Insurance Group Ltd	Kotak General Insurance Company	Insurance & TPAs	**USD 494 mn**
Bupa Plc.	Niva Bupa Health Insurance	Insurance & TPAs	**USD 329 mn**
Mirae Asset Financial Group	Sharekhan Ltd	Financial services and Investment Banking	**USD 219 mn**

Top PE deals

The top five deals accounted for **49%** of the total sector PE deal values

Acquirer/Investor	Target/Investee	Sub - Sector	Value
BPEA EQT and Chrys Capital	HDFC Credila Financial Services Ltd	Banking & NBFC	**USD 1,105 mn**
Sumitomo Mitsui Trust Bank & MUFG Bank	DMI Finance Pvt Ltd	Banking & NBFC	**USD 400 mn**
General Atlantic	PhonePe Internet Pvt Ltd	Fin tech	**USD 350 mn**
Warburg Pincus and angel investor	Vistaar Financial Services Pvt Ltd	Banking & NBFC	**USD 250 mn**
Bain Capital	Adani Capital and Housing Finance	Banking & NBFC	**USD 176 mn**

Acquirer/Investor Target/Investee Sub - Sector

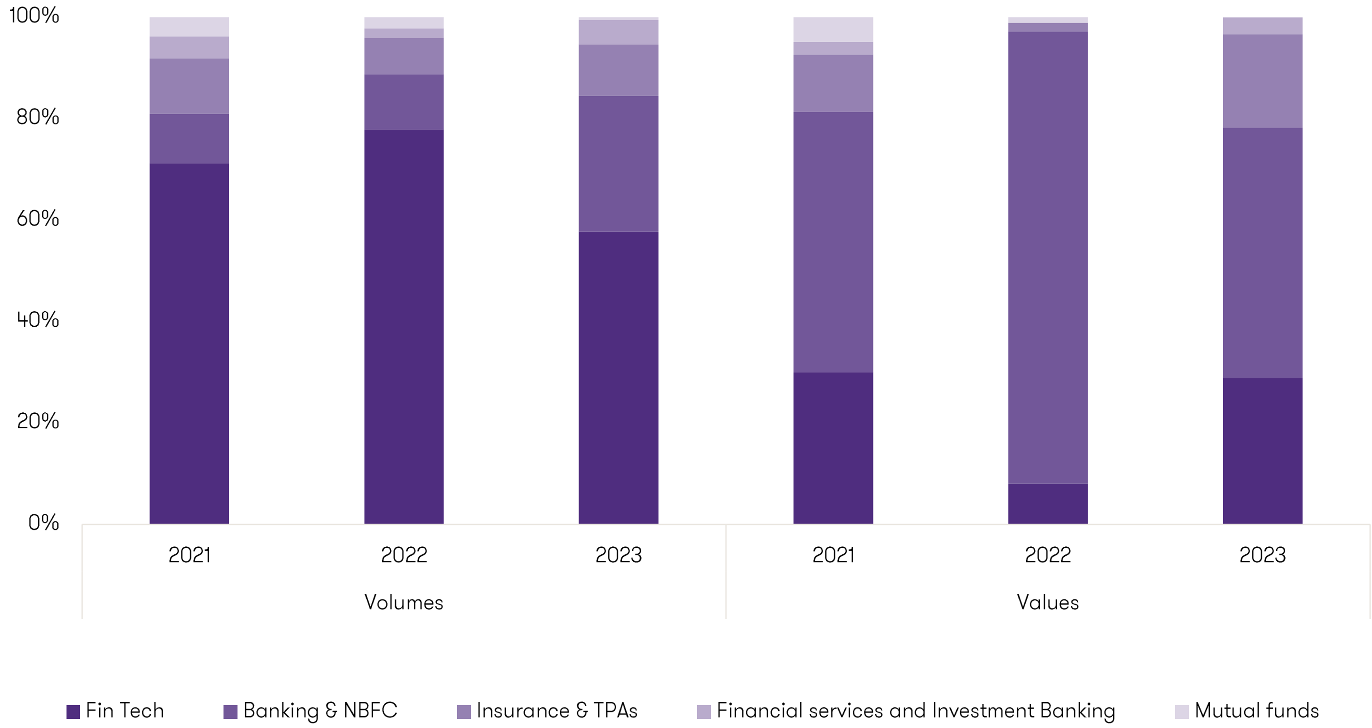
Expert speak

Khushroo Panthaky
Chartered Accountant, Mumbai

The outlook for the world economy continues to reflect a slowdown for the next 12 to 15 months, with recovery expected post that. The global economy is still plagued with the 'inflation challenge' on account of the geo-political conflicts prevalent across the globe, and hence, the recovery is expected to be slower. However, amid a gloomy global outlook, India continues to be a shining spot with a growth rate averaging close to 7%, which is a reasonable growth rate in a world characterised by uncertainty. This is reflective of the investments that have been made in the financial services ecosystem in India.

The NBFC and FinTech segments have seen the most significant interest, both from a mergers and acquisitions standpoint and a private equity investment standpoint. It is believed that a progressive approach from the regulator towards innovation in the form of balanced regulation (usually after industry consultation) and a proactive approach towards financial stability risks, has made the financial services domain attractive to investors. It is further expected that the investments will continue in the FinTech and the NBFC space with some consolidation in the banking segment, especially in the public sector and small finance banking domain. The investment activity should rise in the differentiated bank license space, especially for small finance banks, as some urban cooperative banks could explore the conversion path to small finance banks. While the trend has been observed for increased interest in the insurance space over the last two years, the regulatory parity with global standards, especially IFRS and risk-based capital, could help accelerate the investments from PE investors into the insurance space.

Banking and financial services sub sector classification



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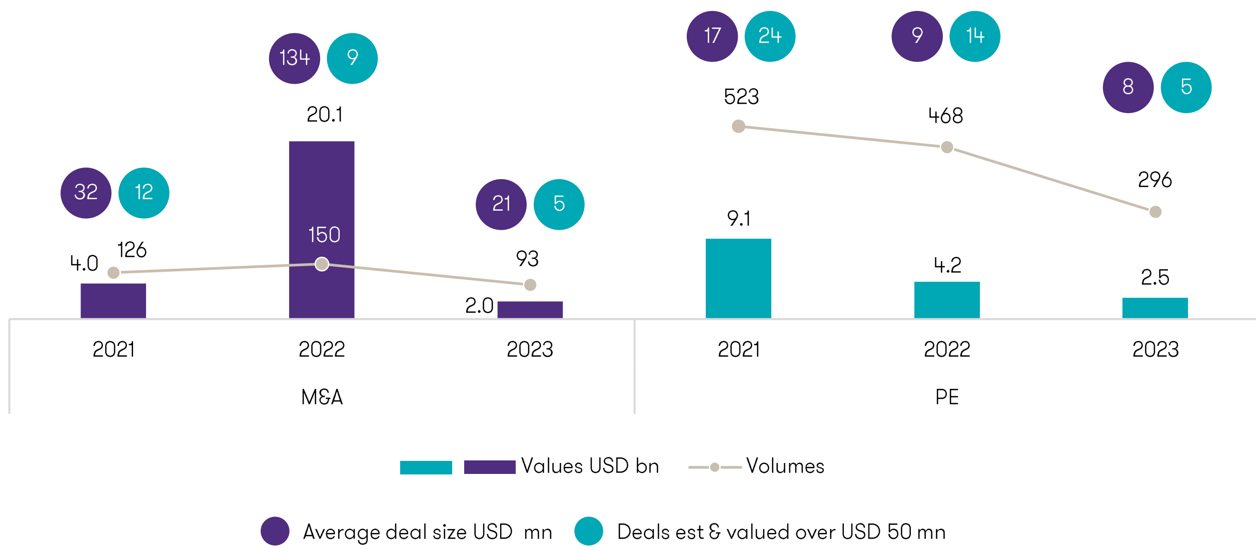
Pankaj Chopda
Partner, Due Diligence

M&A volumes in the BFSI sector in 2023 were primarily driven by consolidation in the banking and NBFC segments. The interest of foreign players in capturing a pie of the Indian insurance market was reflected in the rush of inbound transactions in the insurance and third-party administrator (TPA) segment. The overall PE landscape for 2023 faced a setback with a 53% drop in transactions within the FinTech segment. Notably, there was an uptick in PE interest in NBFC, as evidenced by 37 transactions compared to 24 in 2022.

While there has been a general decline in the overall values of M&A and PE deals in the BFSI sector in 2023, we expect a renewed interest in the sector in 2024. This resurgence will likely be driven by consolidation in the FinTech and NBFC segments financed through private equity transactions. There is also a strong indication that investment opportunities in the insurance and TPA space will continue to flourish, fueled by the untapped potential in the market.

Technology deal-making and valuations take a knock in 2023

IT & IT-es sector deal trends



Top M&A deals

The top five deals accounted for **70%** of the total sector M&A deal values

Acquirer/Investor	Target/Investee	Sub - Sector	Value
Proximus Opal SA	Route Mobile Ltd	Tech creators/ SaaS	**USD 721 mn**
Infosys Ltd	Danske IT And Support Services India	Tech services	**USD 454 mn**
SRAM & MRAM Group	Zyber 365 Technologies Pvt Ltd	Tech creators/ SaaS	**USD 100 mn**
Physics Wallah Pvt Ltd	Xylem Learning	Tech start-ups	**USD 61 mn**
B.L. Agro Industries Ltd	Leads Connect Services Pvt Ltd	Tech services	**USD 60 mn**

Top PE deals

The top five deals accounted for **44%** of the total sector PE deal values

Acquirer/Investor	Target/Investee	Sub - Sector	Value
Apax Partners	IBS Software Services Pvt Ltd	Tech creators/ SaaS	**USD 450 mn**
Kedaara Capital	Perfios Software Solutions Pvt Ltd	Tech creators/ SaaS	**USD 229 mn**
TPG Fund	Tata Technologies	Tech services	**USD 197 mn**
Anthelion Capital, Mithril Capital, 3State Ventures, and Blume Ventures	Grey Orange Robotics Pvt Ltd	Tech creators/ SaaS	**USD 135 mn**
SBI Multicap Fund, SBI Magnum Global Fund, SBI Technology Opportunities Fund and Angel Investors	Nazara Technologies Pvt Ltd	Tech start-ups	**USD 62 mn**

Acquirer/Investor Target/Investee Sub - Sector

Grant Thornton Bharat Insights

Raja Lahiri
Partner and National Sector Leader - TMT

Technology deal-making and valuations take a knock in 2023, expected to rebound in new areas of technology and AI in 2024

The year 2023 was challenging for the technology sector, which saw a slowdown in client demand due to global acroeconomic weakness. Companies have been focusing on cost optimisation, moderation in hiring, and re-imagining growth strategies for the next year.

In 2024, GenAI is seen as the next big opportunity for technology businesses. However, the debate around AI regulations is expected to continue, which will likely delay its adoption. India is expected to lead digital, technology, GCCs (Global Capability Centers), and AI globally in 2024. We also expect start-ups and large technology players to increase their investments in AI and GCCs.

Technology deal-making in 2023 was moderate, with both M&A and PE deals witnessing a decline compared to 2022. Technology valuations also took a knock in 2023 after the highs of 2021 and 2022. Given the global slowdown in the global technology services market, Indian technology majors who are typically quite active in M&A slowed down on M&A deals as they remain cautious around M&A deal strategy and were very selective on the type of deals they would like to pursue. Additionally, in 2023, there were no billion-dollar deals, unlike 2022, which witnessed the L&T-Mindtree merger valued at USD 17.7 billion.

Technology deal-making is moving away from traditional technology services to SAAS players. We expect deal-making to increase in this segment as Indian SAAS players continue to grow and tap the market globally. We also believe that PE and VC players will continue to back robust business models around SAAS, both growth equity and buy-out deals. The recent deal of Chrys Capital investing in ProHance Analytics is a case in point, and we could see many more deals in 2024.

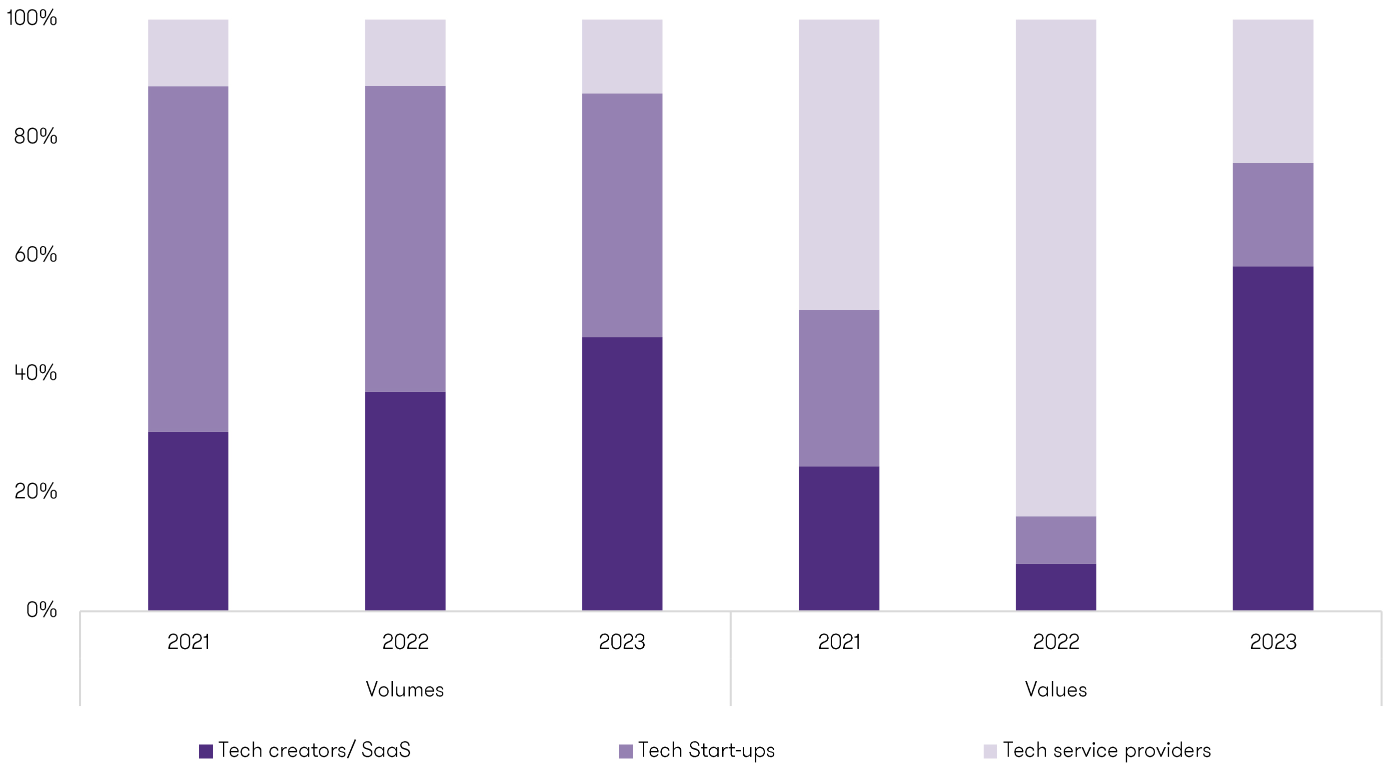
VC financing has sharpened its focus on profitability, and profitable, sustainable business models will see VC backers.

The Indian market in the later part of 2023 saw one of the top IPOs with Tata Technologies listing (USD 367 million IPO size), which demonstrates strong confidence in the Indian technology services sector.

As the technology industry transitions and moves to newer areas of technology like cloud, SAAS, cyber, and AI, deal-making is expected to mirror this trend in 2024. We believe consolidation within mid-market technology service players is an opportunity to bring in efficiencies and scale, and we could witness some interesting deals in 2024.

In conclusion, 2024 is expected to see a rebound in deal-making, including listings in the technology sector in newer technology areas, especially in cyber, space technology, cloud, data centers, and AI.

IT & IT-eS sub sector classification



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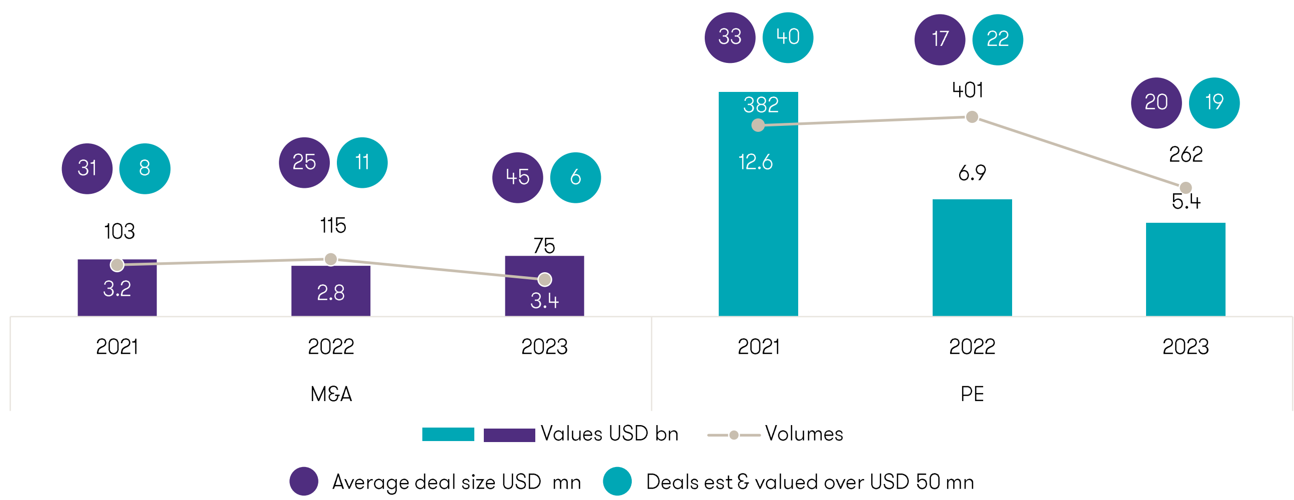
Kartik Gopalakrishnan
Partner, Lead Advisory

The deal activity in 2023 remained subdued compared to the previous year due to global macroeconomic uncertainties and a lack of investor confidence. We have also observed that the deals generally have taken longer to close in 2023 due to increased diligence by the investors and renegotiations of valuations from the term sheet stage. SaaS companies that saw high transaction multiples a couple of years ago had to settle for much lower multiples as the focus of investors has shifted from growth at all costs to the path to profitability. High performing businesses still managed to snag investments at higher multiples.

In 2024, we expect the deal activity to substantially increase due to an improving economic situation and the availability of dry powder with the investors, estimated to be around USD 20 billion. With most of the central banks starting to take either a neutral or dovish stance, the transactions would become economically more attractive due to the decreased cost of capital. We expect emerging technologies such as generative AI, machine learning, especially MLOps, and cybersecurity to gain significance and remain an area of focus for companies, investors, and buyers alike.

Cautious investor approach and shifting consumer preference remained as the deals strategy

Retail & consumer/ E-commerce sector deal trends



Top M&A deals

The top five deals accounted for **81%** of the total sector M&A deal values

Walmart Inc	Titan Co Ltd	Godrej Consumer Products Ltd	Sheela Foam Ltd	Aditya Birla Fashion Retail Ltd
Flipkart	Caratlane Trading	Raymond Consumer Care	Kurlon Enterprise	TCNS Clothing Company
E-commerce	Textiles, Apparel and accessories	Personal Care	Consumer Durables and Home furnishing	Textiles, Apparel and accessories
USD 1,400 mn	**USD 564 mn**	**USD 345 mn**	**USD 248 mn**	**USD 201 mn**

Top PE deals

The top five deals accounted for **52%** of the total sector PE deal values

Qatar Investment Authority	Abu Dhabi Investment Authority	Abu Dhabi Investment Authority	M&G Plc, Lightspeed Venture Partners and DST Global	Carlyle Group
Reliance Retail Ventures	Reliance Retail Ventures	Lenskart Solutions	Hiveloop Technology Pvt. Ltd- Udaan	VLCC Health Care
Textiles, Apparel and accessories	Textiles, Apparel and accessories	E-commerce	E-commerce	Consumer Services
USD 1,010 mn	**USD 598 mn**	**USD 500 mn**	**USD 340 mn**	**USD 300 mn**

Acquirer/Investor Target/Investee Sub - Sector

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Naveen Malpani
Partner and National Sector Leader - Consumer, Retail & E-commerce

The year 2023 remained turbulent for the global economy, with escalating inflation rates, surging oil prices, and geopolitical instability resulting from conflicts. Numerous industries faced closures, salary freezes, and workforce reductions, causing investors to feel uncertain about their portfolios and future ventures. The impact was also visible in India; albeit manageable as compared globally. During the year, while mergers and acquisitions for the retail and e-commerce industry declined by 36% at USD 3.4 billion, PE investments declined by 36% at USD 5.2 billion as compared to last year.

Industry outlook: The 2023 festive season witnessed a remarkable explosion in Indian e-commerce, marked by a surge in order volumes compared to last year. This surge reflects robust consumer confidence and a clear preference for online convenience. Notably, the Gross Merchandise Value (GMV) also saw a healthy increase of 18-22%, indicating that consumers were willing to spend more. The boom wasn't confined to metros; Tier 2 and 3 cities played a starring role, with some platforms reporting impressive order growth. Categories like electronics, fashion, food, and grocery witnessed double-digit growth, showcasing sustained demand for essentials. Meanwhile, profitability remains a concern for some online players, which has resulted in lower investor confidence as well.

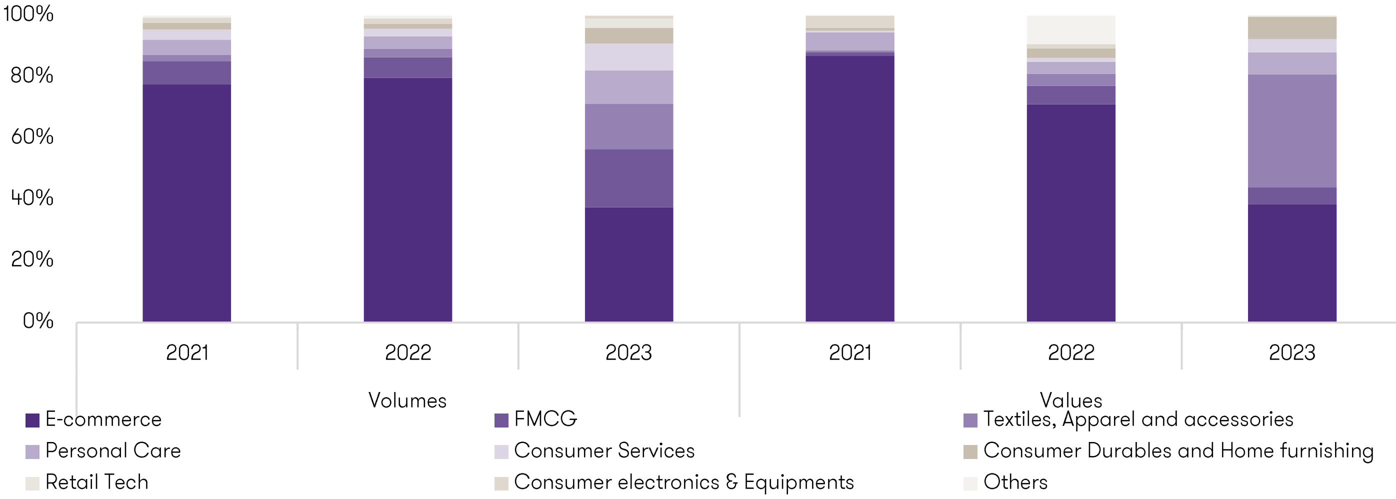
Retail leasing is expected to reach the highest level in 2023 after a couple of bad pandemic years. We see 25 to 30 global brands venturing into India, considering a stable economy and a young population. The brick-and-mortar sector will be looking at single-digit growth due to massive expansion in Tier II and Tier III cities.

Investor confidence: Investor's sentiment is cautious and has been the underlying theme throughout the year. There has been a recalibration of valuations within the industry as intensifying competition and investor risk aversion converge. For some companies, PE investors are prioritising profits, gross recovery plans, cash burn reduction, and corporate governance even within the existing portfolios. We foresee PE investors adopting a hands-on approach, actively managing operations, and prioritising certain metrics for performance assessment.

Macro-economic factors: The global inflation rates, estimated at 6.8% this year, are expected to cool down to 4.1% next year, indicating stability in the medium to long term. Monetary policy is also expected to restore price stability.

Operational integration and synergies: E-commerce companies are increasingly turning to M&As to gain an edge in the competitive market. This includes leveraging economies of scale, expanding reach, boosting tech capabilities, and snagging specialised expertise. The companies are merging or buying out to streamline operations, cut costs, and dominate the market.

Retail and consumer sub sector classification



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Anirudh Gupta
Partner, Due Diligence

M&A deal activity

2023 evidenced muted M&A deal activity for the retail and consumer sector in terms of deal volume, as has been the trend in the past two years. However, in value terms, there was an increase in deal value at USD 3.4 billion with an average deal value of USD 45 million, primarily driven by the top five large deals.

Notably, there was a substantial increase in traction in the textile, apparel, and accessories sub-sector this year, led by the Titan-Caratlane transaction and the Aditya Birla-TCNS transaction.

E-commerce experienced a substantial decline in deal volume, with value primarily being driven only by the Walmart-Flipkart transaction. Deal volumes remained consistent in the FMCG sub-sector.

In our view, process transformation, innovation through technology, efficiency in supply chain management, enhancement in customer experience, calibration as per changing consumer sentiments, and improvement of overall offerings have been and will be some key factors and themes driving the M&A transactions space. With better liquidity, financing options, and improvement in the general sentiment and optimism around the economic outlook, the deal activity should gradually increase in the next few quarters and 2024.

PE Deal Activity

From a PE deal activity perspective, 2023 evidenced a sharp decline in the volume and value of deals compared to the last two years. The key driver in terms of deal value was the USD 1 bn investment in Reliance Retail Ventures led by the Qatar Investment Authority and KKR. The other notable deals were the investments by the Abu Dhabi Investment Authority in Reliance Retail Ventures (USD 0.6 billion) and Lenskart Solutions Private Limited (USD 0.5 billion).

As a sub-sector, textile, apparel, and accessories evidenced the maximum traction in value terms primarily because of the Reliance transaction. E-commerce, the favoured sector for a long time, saw a substantial decline in deal volume and value during the year.

Profitability, sustainability, value creation, and portfolio consolidation have been key themes driving the PE deal landscape in the past year. With an improved economic outlook, better liquidity, and the narrowing of valuation gaps, there is a higher expectation and possibility of increased traction in the PE deals space in 2024.

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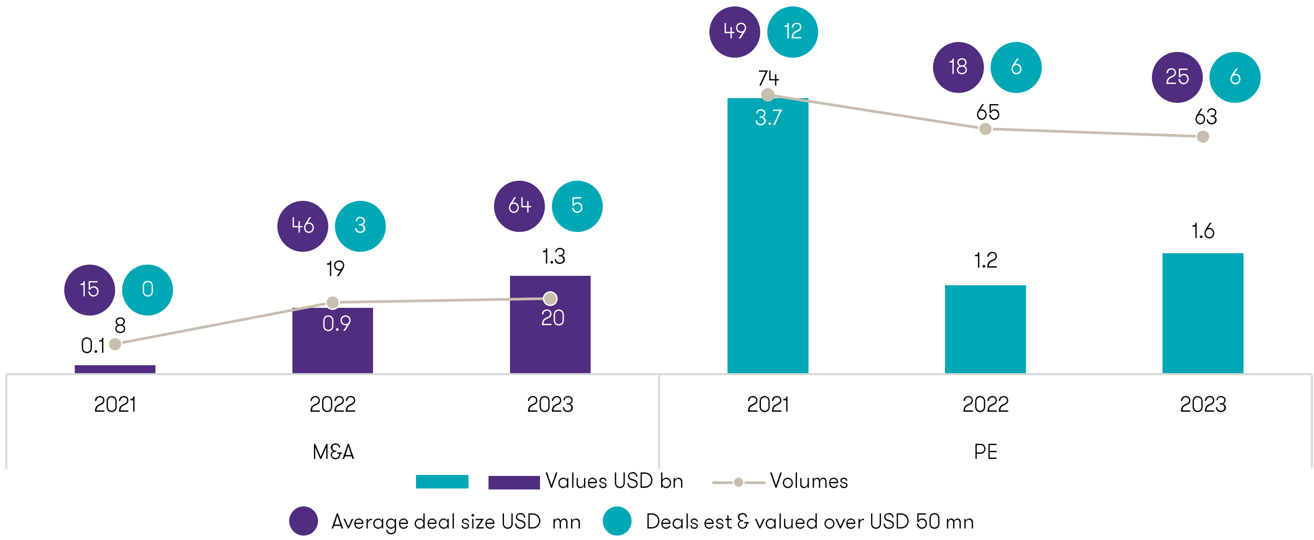
Auto components lead M&A activity, electric vehicles (EVs) continue to dominate PE segment

Automotive sector deal trends



Top M&A deals

The top five deals accounted for **89%** of the total sector M&A deal values

Acquirer/Investor	Target/Investee	Sub - Sector	Value
Samvardhana Motherson International Ltd	SAS Autosystemtechnik GmbH & Co .	Others	USD 578 mn
HCL Technologies Ltd	ASAP Holding Gmbh	Auto-components	USD 280 mn
Samvardhana Motherson International Ltd	Yachiyo Industry Co	Auto-components	USD 345 mn
Mahindra & Mahindra ltd and undisclosed investors	Classic Legends	Automobiles	USD 105 mn
MXC solutions - CarTrade.com	Sobek Auto India - OLX India's auto business	Mobility as a Service	USD 66 mn

Top PE deals

The Top five deals accounted for **58%** of the Total sector PE deal Values

Acquirer/Investor	Target/Investee	Sub - Sector	Value
Temasek and State Bank of India	Ola Electric Mobility	Electric Vehicles	USD 390 mn
Multiples Alternate Asset Management and it's co-investors	TI Clean Mobility	Automobiles	USD 146 mn
Temasek	Mahindra Electric Automobile	Electric Vehicles	USD 146 mn
Temasek and angel Investors	Ola Electric Mobility	Electric Vehicles	USD 140 mn
Hero MotoCorp and GIC	Ather Energy	Electric Vehicles	USD 110 mn

Acquirer/Investor Target/Investee Sub - Sector

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Saket Mehra
Partner and National Sector Leader - Automotive

As indicated in COP28, India is firmly committed to pursuing environmentally sustainable development and low carbon emissions while fostering inclusive growth. This commitment has driven substantial growth in the Electric Vehicle (EV) and alternative fuel technology markets, fuelling significant deal activity in the automotive industry.

Against the global economic backdrop, the automotive industry registered deal values to the tune of USD 2.9 billion in 2023, registering a robust 41% Y-o-Y growth. However, the total deal numbers remained constant. This signals consolidation and synergies across the value chain. The deal values experienced a decline in the second quarter of 2023. Still, they rebounded by the third quarter, propelled by strong cross-border M&A activity, indicating a rising appetite for strategic collaborations and market expansion. As the global economy recovers, estimating a heightened trajectory of M&A activity is prudent.

The sub-sectors within the automotive industry driving the deal activity include EV and alternative fuel energy and auto-components:

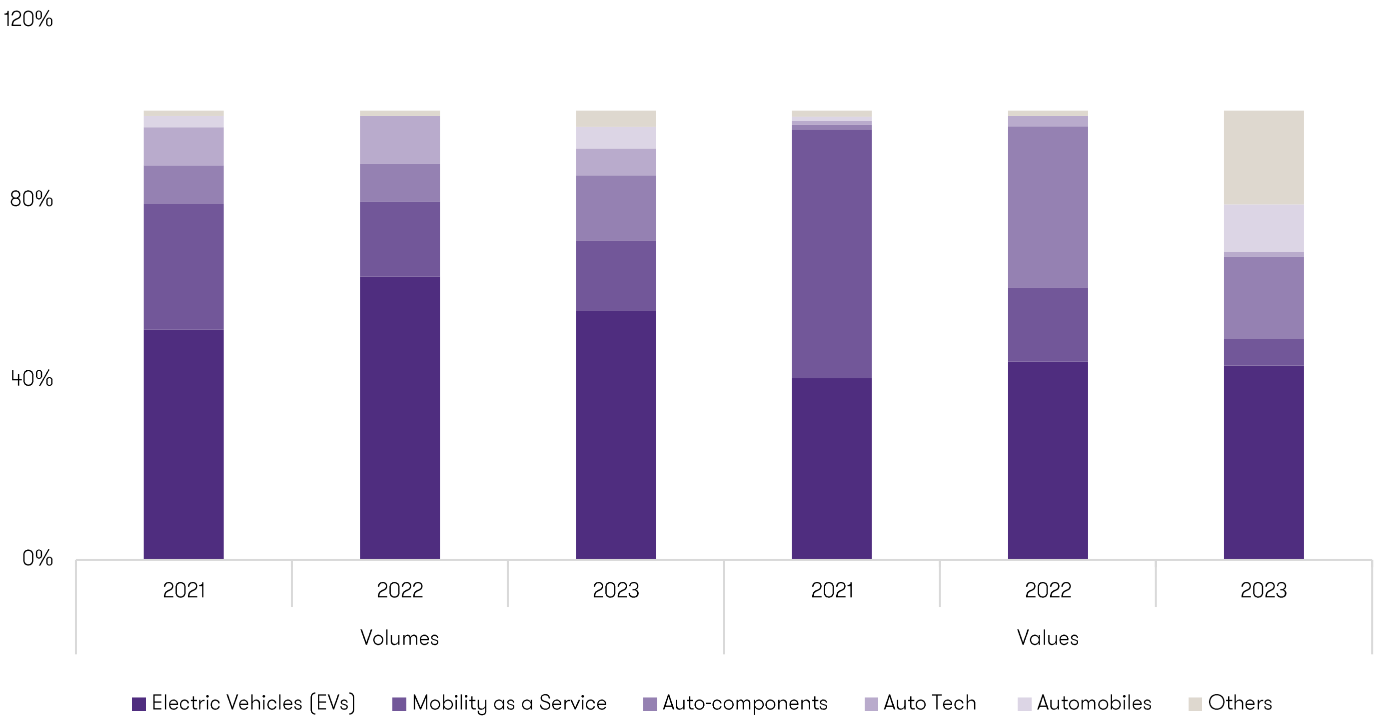
- The EV industry presents a remarkable investment opportunity- exceeding USD 200 billion by 2030. including renewable energy, green hydrogen, and clean technologies) is expected to create a market worth USD 80 million by 2030.
- The auto-component industry is also gradually enhancing its capabilities in the EV segment. Currently, the share of EV components stands at 2.7%, up from 1% in FY22. The industry is looking to invest around USD 6.5-7 billion over the next five years in capacity expansion and technology upgradation, so we may further witness an increase in deal activity within the segment. Additionally, the global market for automotive electronics is poised to grow at a CAGR of 8-10% to reach USD 550 billion in 2032 from USD 250 billion in 2022. Key application areas include- power electronics, safety controls, communication and entertainment equipment, and body electronics. However, the exports to Europe (constituting ~30% of exports from India) for the auto-component industry are privy to a few challenges, including:
  - CABM (Carbon Border Adjustment Mechanism) is expected to increase compliance requirements for auto component exporters- including carbon certificates that reflect the amount of carbon emissions embedded in products.
  - The EU-UK Trade Cooperation Agreement (TCA), signed in December 2020, stipulates that from January 2024 to 31 December 2026, only 40% of an electric vehicle's value must be comprised of localised parts, increasing to 45% after that. Recommendations to extend or eliminate this phasing-in period have been made. If not implemented, this regulation may adversely impact India's exports to Europe, constituting 31% of auto-component exports from India.

As the EV value chain becomes more efficient and customer adoption increases, this sub-sector attracts substantial investor interest. One of the noteworthy mentions includes Ola Electric- the company attracted substantial funding of USD 390 million from Temasek, SBI, and other angel investors in 2023 and is set to file for IPO in 2024. Other notable PE investments include TI Clean Mobility, Mahindra Electric, and Ather Energy investments.

While the M&A activity remained subdued this year, in line with the cautious outlook on global M&A activity, Samvardhana Motherson dominated the M&A deal activity- registering two outbound deals valued at USD 706 million. With the growth in existing operations and M&A-driven revenue, the company is expected to grow at a CAGR of 6.5-7% between FY23 and 25.

Overall, strategic fund allocation primarily involves strengthening the EV value chain and establishing. resilient sales and distribution networks to accelerate EV adoption.

Automotive sub sector classification



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Sridhar V
Partner, Due Diligence

M&A: Most deals have been focused on components, EVs, and mobility as a service business. While the number of deals has remained constant in comparison to 2022, the value of deals has shown a marked increase of 48%. This uptick is primarily attributed to significant acquisitions, such as Samvardhana Motherson's investments of over USD 700 million to diversify its portfolio with new products and technologies, and HCL's acquisition of a USD 280 million engineering component services business. The prevailing trend in deal-making is expected to persist in 2024, with a continued focus on EVs, technology, and the introduction of new products.

Private Equity: A similar trend to M&A is observed in PE investments in this sector. While the volumes have marginally decreased, the quantum of investments has increased by 36%. This indicates sustained interest in the sector, leaning toward EV, accounting for 76% of the total investments. Ola has attracted close to USD 530 million, and the other large players who have attracted investments include TI Mobility, M&M, and Ather. There are many new players attracting close to USD 215 million, including Magenta EV Solutions, Upgrid Solutions, and PMI Electro, to name a few.

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