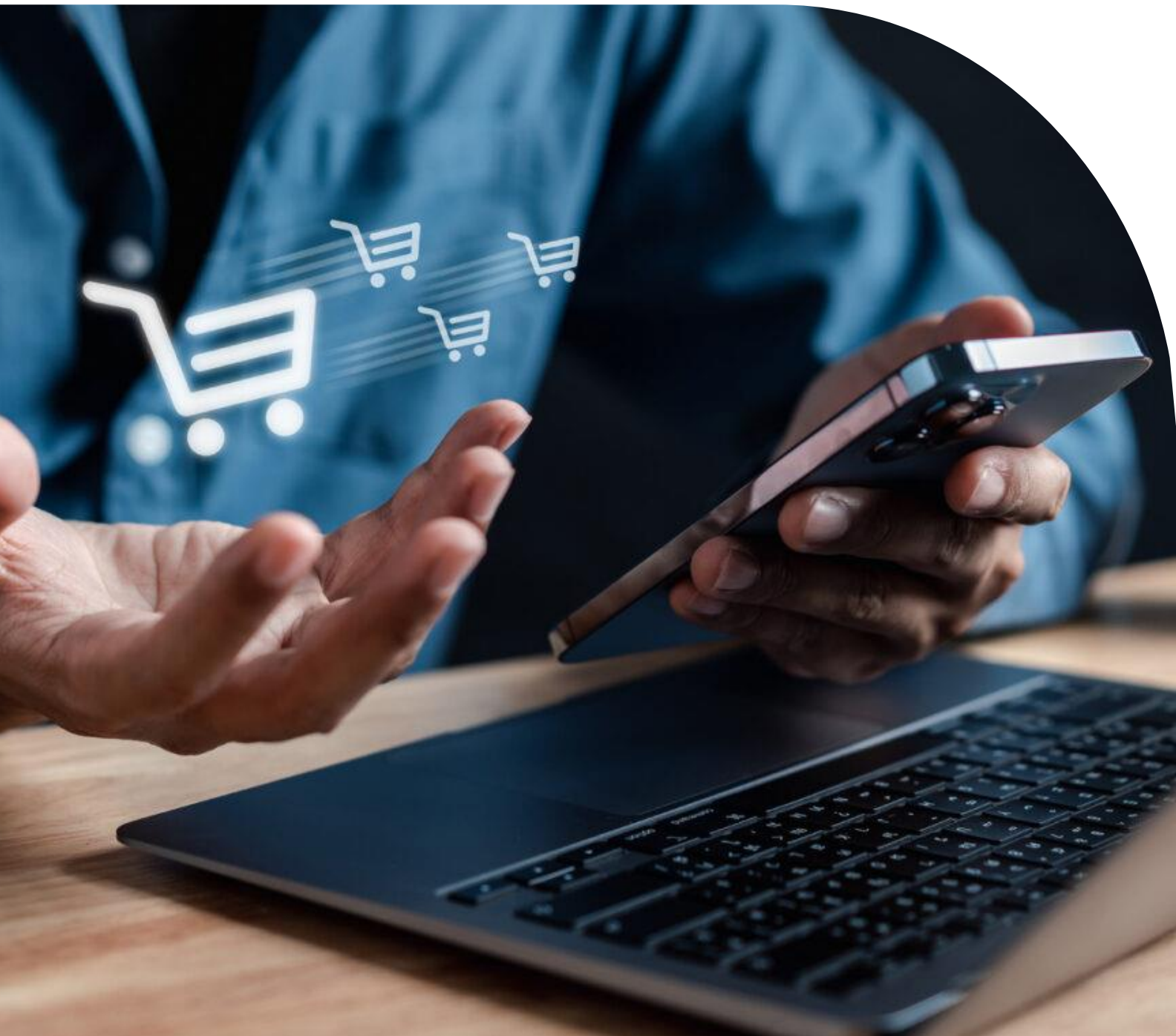


# Consumer and Retail dealtracker

Providing M&A and PE deal insights

Q3 2023 | Volume 3



# Deal overview



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In the third quarter of 2023, the deal values increased significantly with a few high-ticket deals in the retail and e-commerce space, driving the mergers and acquisitions (M&A) and private equity (PE) momentum in India.



## FMCG and consumer products

The FMCG segment in the country performed moderately, with around 7.5% consumption growth for all of India in the second quarter of FY 2024. We anticipate an uptick in the rural markets, supported by good monsoon and government spending. We see a growing demand in the FMCG space, particularly in the snacking industry. In terms of overall deals and transactions within the FMCG segment, there has been relative stability, with volumes holding steady. As the festive season approaches, the upcoming quarter is anticipated to yield promising results for the industry.



## Digital growth companies

Businesses have adopted a more prudent approach, prioritising profitability over cash expenditure. The forthcoming festive season, with high consumer demand, is expected either to give a fillip to this approach or test the resolve of the businesses in following through this approach. With sales projected to increase by 18-20% as compared to 2022, largely fueled by about 140 million online shoppers, the e-commerce/D2C businesses are aiming to become profitable and have optimised business operations in the next two to three quarters. This surge in consumer activity is expected to bolster investor confidence as well, which has been cautious for a few months now.



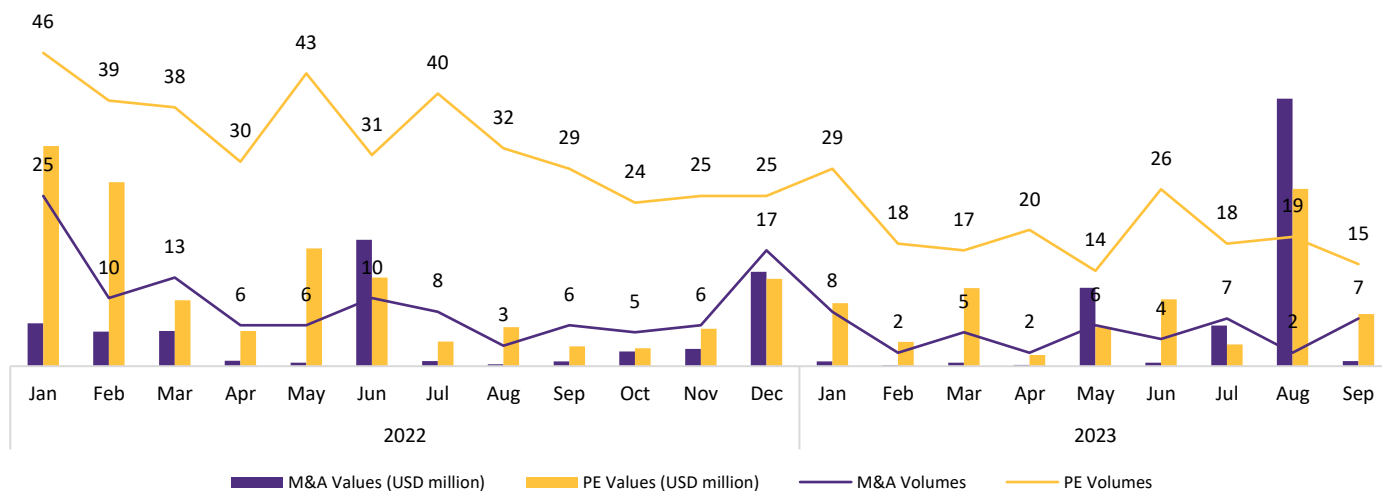
## Textile and apparel

Global brands continue to focus on the Indian market and are tying up with large manufacturers. These collaborations reflect the increasing faith of global investors. India boasts a substantial and expanding population, coupled with a burgeoning middle class, which is propelling the demand for retail and textile goods within the country. However, on account of the global economic slowdown, coupled with high inflation, and supply chain disruptions, we have seen a decline in apparel exports from India. Nevertheless, this is expected to stabilise in the coming months.

Overall, India continues to maintain a strong and stable macroeconomic outlook. The recent goods and services tax (GST) collection was recorded as the fourth-highest monthly collection, indicating a healthy consumption trend and steady growth for the sector. The market still offers chances for businesses that are ready to adapt to the changing environment.

# Deal overview

## Monthly deal trend



Deal summary	Volume			Value (USD million)		
	Q1 2023	Q2 2023	Q3 2023	Q1 2023	Q2 2023	Q3 2023
Domestic	13	11	15	54	606	901
Inbound	2	-	1	15	-	1,400
Outbound	-	1	-	-	5	-
Total M&A	15	12	↑ 33% 16	69	611	↑ 277% 2,301
PE	64	60	↓ 13% 52	1,216	861	↑ 114% 1,845
Grand total	79	72	↓ 6% 68	1,285	1,472	↑ 182% 4,146

### Highlights

**Overall deal activity | 68 deals valuing USD 4.1 bn**

During July-September 2023, Indian deal-making in the consumer sector experienced a marginal decline of 6% in deal volumes compared to Q2 2023. However, there was an exponential 182% rise in overall deal values, primarily fueled by big-ticket transactions.

**M&A activity | 16 deals valuing USD 2.3 bn**

The M&A activity witnessed an encouraging trend in Q3 2023 with an overall increase in volumes and values. However, strategic investors have become cautious amid the global macroeconomic concerns and have been evaluating the risk appetites.

**PE/VC activity | 52 deals valuing USD 1.8 bn**

The deal volumes declined by 13% during the quarter in focus over Q2 2023. However, values grew significantly, with a 114% growth largely driven by Reliance Retail's USD 1.3 billion fund raise forming 68% of PE values for the quarter. Barring this deal, PE values declined by 32%.

# Dealboard

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

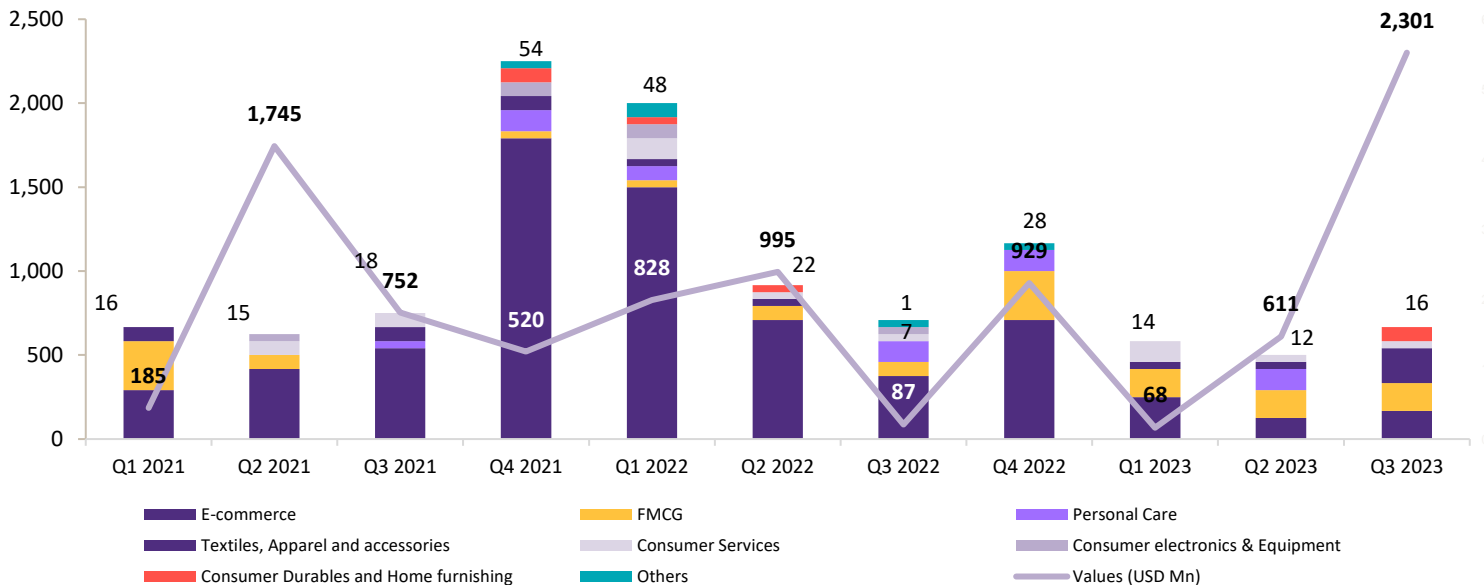
Acquirer	Target	Sub-sector	USD million	Deal type	% stake	Domestic/ Cross-border
Walmart Inc	Flipkart Online Services Pvt Ltd	E-commerce	1,400	Minority stake	4%	Inbound
Titan Co Ltd	Caratlane Trading Pvt Ltd	Textiles, apparel and accessories	564	Increasing stake to 98.28%	27%	Domestic
Sheela Foam Limited	Kurlon Enterprise Limited	Consumer durables and home furnishing	248	Acquisition	95%	Domestic
Sheela Foam Limited-Sleepwell	Kieraya Furnishing Solutions Pvt Ltd- Furlenco	Consumer durables and home furnishing	37	Strategic stake	35%	Domestic
AVA Cholayil Healthcare Pvt. Ltd	Nilgiri Dairy Pvt Ltd	FMCG	8	Acquisition	100%	Domestic

Top PE deals of the quarter accounted for 69% of PE values

Investor	Investee	Sub-sector	USD million	% stake
Qatar Investment Authority	Reliance Retail Ventures Ltd	Textiles, apparel and accessories	1,010	1%
KKR	Reliance Retail Ventures Ltd	Textiles, apparel and accessories	252	0.3%
StepStone Group, Goodwater Capital, Nexus Venture Partners, Glade Brook Capital and angel investors	KiranaKart Technologies Pvt Ltd- Zepto	E-commerce	200	N.A.
Info Edge Ventures, IIFL and angel investors	Bluestone Jewellery and Lifestyle Pvt Ltd	Textiles, apparel and accessories	67	N.A.
Sharrp Ventures, MEMG family office and DSP family office	BrainBees Solutions Pvt Ltd- Firstcry	Textiles, apparel and accessories	53	2%

# Sector trends

M&A trend by sub-sectors



Q3 2023 evidenced muted M&A deal activity in terms of deal volume, as has been the trend in the past six quarters. However, in value terms, there was a significant increase in deal value at USD 2.3 Bn, primarily driven by three large deals: Walmart's investment in Flipkart (USD 1.4 Bn), Titan Co. Ltd's acquisition of a follow-up stake in Caratlane (USD 0.56 Bn) and Sheela Foam Limited's acquisition of Kurlon Enterprise Limited (USD 0.25 Bn).

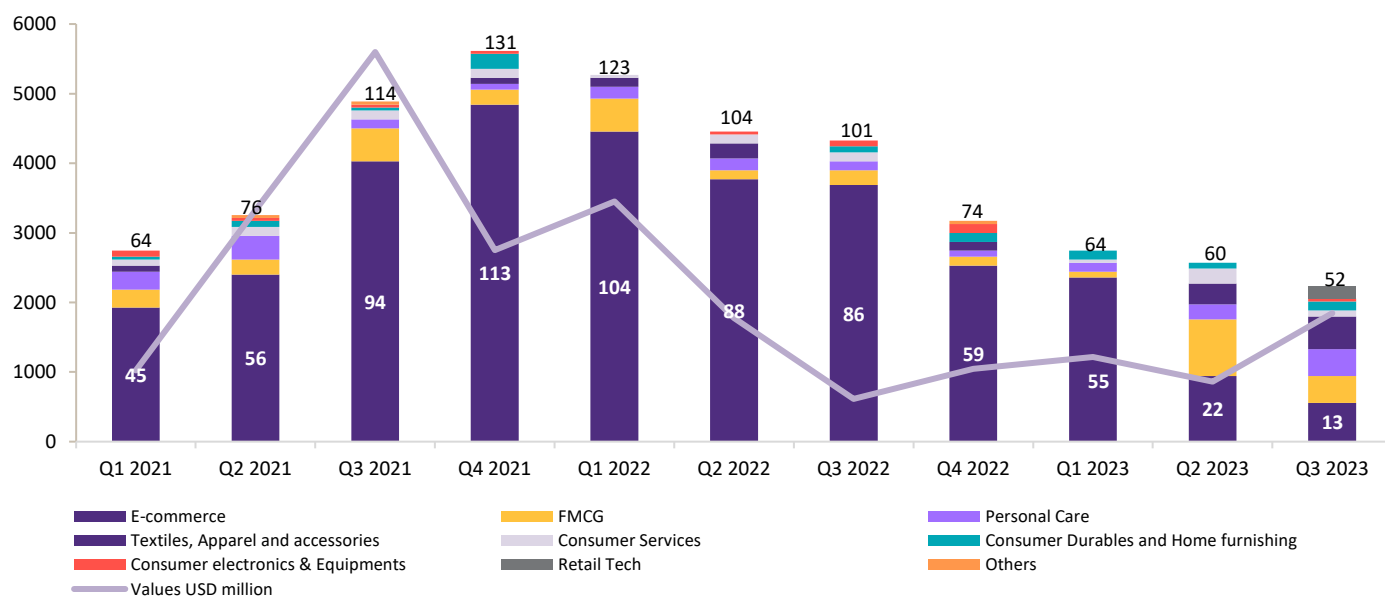
Notably, there was a substantial increase in traction in the textile, apparel and accessories sub-sector during this quarter, led by the Titan-Caratlane transaction.

In line with past trends and expectations, e-commerce experienced consistent deal volume, with value being driven by the Walmart-Flipkart transaction. Deal volumes remain consistent in the FMCG sub-sector.

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

# Sector trends

PE trend by sub-sectors



From a PE deal activity perspective, Q3 2023 evidenced the least number of deals in terms of volume as compared to the last 7 quarters. The key driver in terms of deal value was the USD 1.26 Bn investment in Reliance Retail Ventures Limited led by the Qatar Investment Authority and KKR.

As a sub-sector, textile, apparel and accessories evidenced the maximum traction in value terms primarily on account of the Reliance transaction. E-commerce, which has been the favoured sector for long, saw a substantial decline in deal volume and value during the quarter.

Profitability, sustainability, value creation and portfolio consolidation have been some of the key themes driving the PE deal landscape in the past few quarters. With an improvement in 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 Q4 2023 and Q1 2024.



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

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