

Q1 Dealtracker

Providing M&A and PE deal insights

Q1 2024 | Volume 20.03



Deal snapshot



Shanthi Vijetha

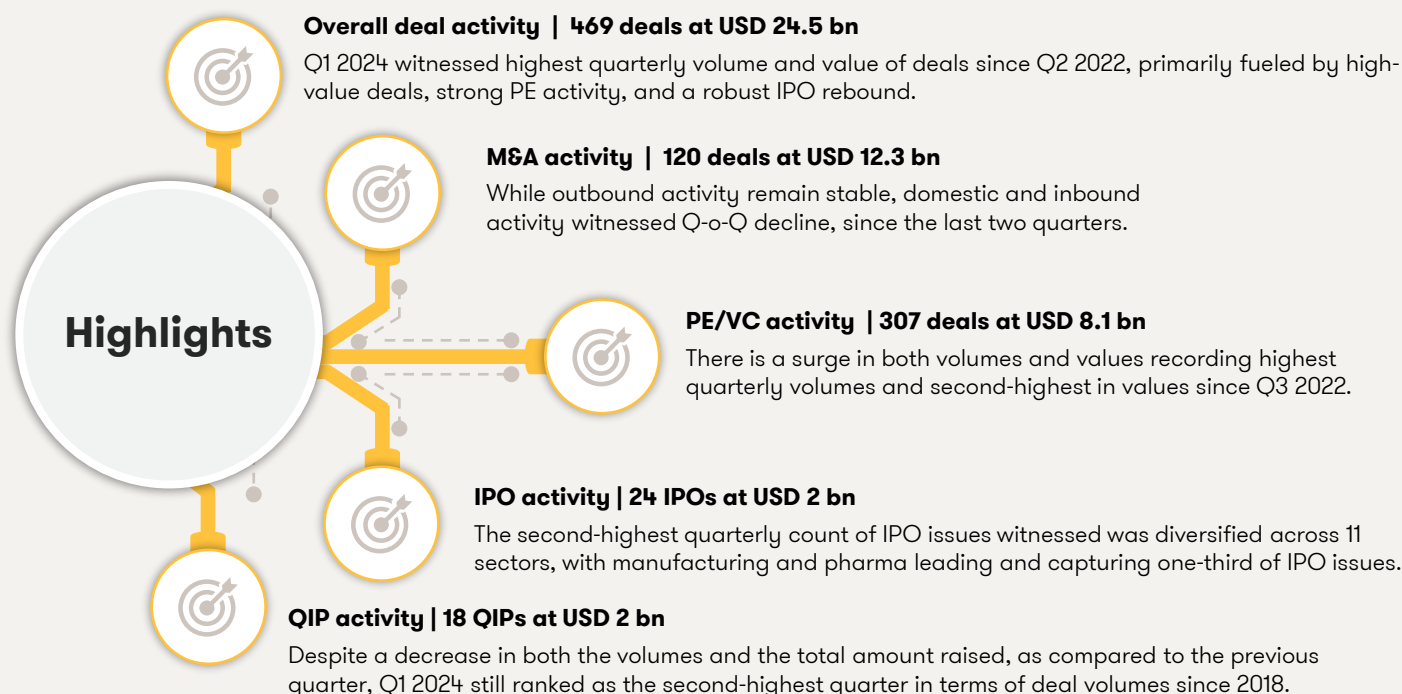
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In Q1 2024, we witnessed promising early signs of a rebound in deal activity, with 427 deals amounting to USD 20.4 billion. This marked the highest overall deal activity since Q3 2022 driven by increase in PE deal activity. The surge in deal values was primarily driven by the mega merger of Reliance and Disney, valued at USD 8.5 billion, which constituted 42% of the total values in Q1 2024. Excluding this deal, overall values recorded a 16% decline compared to Q4 2023. Similarly, barring the mega deal, M&A activity experienced a significant decline of 57% in values compared to Q4 2023, with the average deal size reducing from USD 62 million to USD 32 million, mainly influenced by non-disclosure of deal values (50%

deals) and a notable 25% of deals valued between USD 10 million and USD 90 million reflecting smaller ticket deals.

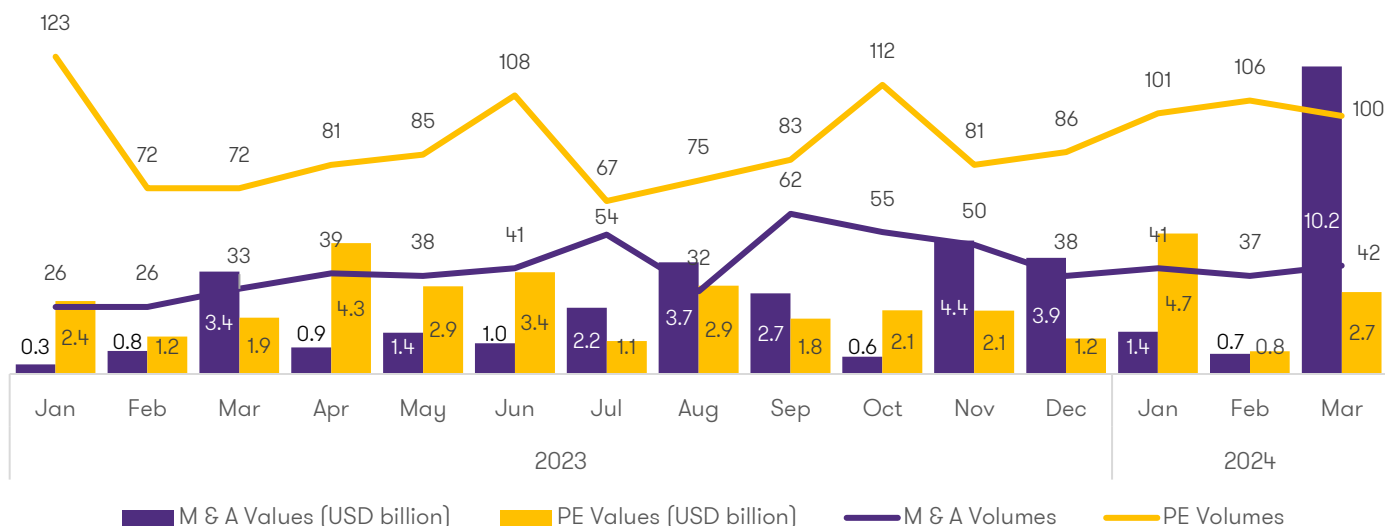
PE activity registered an uptick recording the highest quarterly deal volumes in the last six quarters and the second-highest deal values since Q2 2023, with the quarter witnessing two billion-dollar deals and eight high-value deals (≥ 100 mn) contributing to 70% of the total PE values. India minted two unicorns, Krutrim SI Designs and Perfios, in the first quarter of the year. Traditional sectors such as telecom and infrastructure contributed with high-value deals, joining retail and media to dominate the deal values, while Retail, IT, and Banking led the volumes.

A closer look at Q1 2024 provides hope for a promising start to the year, with certain sectors experiencing resurgence and the emergence of the two unicorns early in the year indicating potential growth opportunities ahead. While the upcoming events such as the Lok Sabha elections and Budget 2024 are crucial, a strong pipeline of deals on the back of increased attention from private capital keeps the outlook for 2024 optimistic. These events are likely to result in sectors aligning with the Government's focus areas, which will likely lead to a positive deal flow post-budget as investors keep a close watch on macroeconomic factors.



Deal snapshot

Monthly deal trend



Deal summary	Volume			Value (USD million)		
	Q3 2023	Q4 2023	Q1 2024	Q3 2023	Q4 2023	Q1 2024
Domestic	108	96	76	3,868	4,722	1,822
Inbound	26	25	21	4,068	3,100	1,062
Outbound	14	22	23	647	1,047	9,387
Total M&A	148	↓ 3% 143	↓ 16% 120	8,583	↑ 3% 8,869	↑ 38% 12,271
PE	225	↑ 24% 279	↑ 10% 307	5,858	↓ 8% 5,387	↑ 51% 8,145
Grand Total	373	↑ 13% 422	↑ 1% 427	14,441	↓ 1% 14,256	↑ 43% 20,416

Notable trends:

- Q1 2024 witnessed 427 deals valuing USD 20.4 billion, reflecting stable volumes while a 43% increase in values compared to Q4 2023. The quarter witnessed a 36% drop in the number of high-value deals (\geq USD 100 mn) from 28 to 18, while billion-dollar deals registered an uptick compared to the previous quarter. Three-billion-dollar deals were witnessed valuing USD 12 billion that accounted for nearly 59% of the total deal values in Q1 2024.
- M&A activity recorded 120 deals valued at USD 12.3 billion. While, domestic volumes remained dominant, they have shown a declining trend over the past year. However, on the other hand, cross-border activity, witnessed its second-highest quarterly volumes in the last five years. Outbound activity led the M&A values with a 9x increase compared to Q4 2023 mainly due to the Reliance-Disney merger valuing USD 8.5 billion.
- PE activity surged with 307 deals amounting to USD 8.1 billion, which is a 51% rise in values and 10% rise in volumes over the previous quarter. The quarter saw a high volume of small value deals (< USD 7mn) with a 71% share. However, the top-five deals accounted for 61% of the PE investment values.
- The Retail sector led the volumes for the month followed by IT and banking with an overall share of 52%, while media and entertainment, telecom and retail led in values with a 69% share.
- Deal of the Quarter: Viacom18 Media Pvt. Ltd. merging with Star India Pvt Ltd creating an enterprise value of USD 8.5 billion.

Newsmakers

Top M&A deals of the Quarter constitute to 86% of the deal activity

Acquirer	Target	Sector	USD million	Deal type	% stake
Viacom18 Media Pvt. Ltd.	Star India Pvt Ltd – Disney Star	Media and entertainment	8,500	Merger	N.A.
Sumitomo Mitsui Financial Group, Inc	SMFG India Credit Company Ltd	Banking and financial services	700	Increasing stake to 100%	25%
Tata Consumer Products Ltd	Capital Foods Pvt Ltd	Retail and Consumer	614	Acquisition	100%
Reliance Industries Ltd	Viacom18 Media Pvt Ltd	Media and Entertainment	516	Minority stake	13%
Tata Consumer Products Ltd	Organic India Pvt Ltd	Retail and Consumer	229	Acquisition	100%

Top PE deals of the Quarter contributes to 61% of the deal activity

Investor	Investee	Sector	USD million	% stake
Data Investment trust	ATC India Tower Corporation Pvt Ltd	Telecom	2,500	100%
Highways Infrastructure Trust	PNC Infratech limited - 12 highway assets	Infrastructure Management	1,090	100%
GQG partners	Bharti Airtel Ltd	Telecom	710	0.8%
Canada Pension Plan Investment Board and Ontario teachers pension plan	NHAI InVIT- National Highways Infra Trust	Infrastructure Management	438	N.A.
Advent International and Multiples Private Equity	Svatantra Microfin Pvt. Ltd	Banking and financial services	233	N.A.



Vishal Agarwal

Partner and Private Equity Group & Deals Tax Advisory Leader

Private Equity (PE) investment trends have shown a significant transition in Q1, 2024, signalling a robust pivot in strategy after a prolonged period of exits, predominantly through IPOs and block deals over the past 12 to 15 months. This enthusiasm is set to continue with investment interest across sectors such as consumer, and financial services with a focus on insurance, and technology.

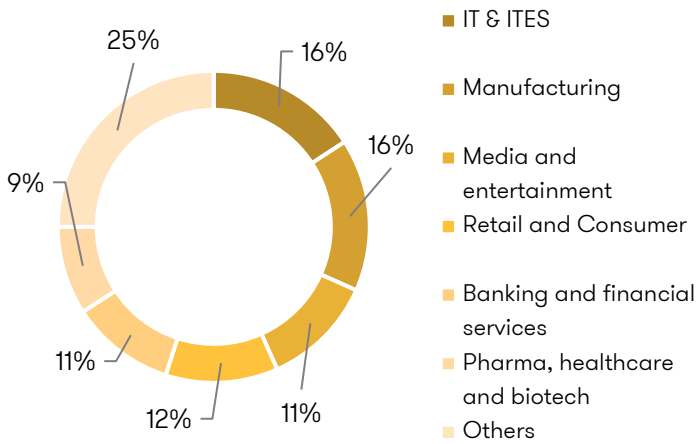
However, the flourishing capital markets have led to a dual predicament: promoters demanding listed company-type valuations and Limited Partners (LPs) setting high benchmarks by comparing capital market returns with those of PE funds, thereby complicating fundraising efforts. Despite these hurdles, the shifting global investment landscape, particularly the pivot away from China, indicates a promising horizon for Indian entrepreneurs, potentially unlocking five years of heightened investments.

Private Equity funds stood at a crossroads at the end of 2023: to wait for clearer market signals or to deploy the substantial "dry powder" accumulated from a year rich in exits. The data from Q1 2024 indicates a decisive tilt towards the latter, as evidenced by a noticeable uptick in PE deals, underscoring renewed commitment to nurturing growth across pivotal sectors.

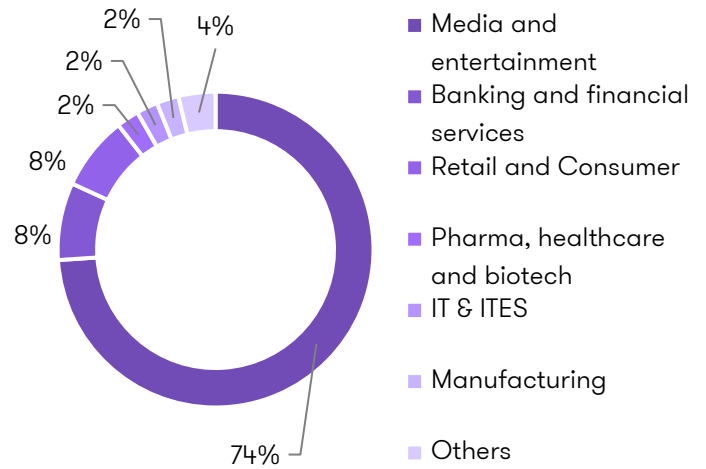
Sector trends

M&A trend by Sectors

Top Sectors based on deal volumes



Top Sectors based on deal values



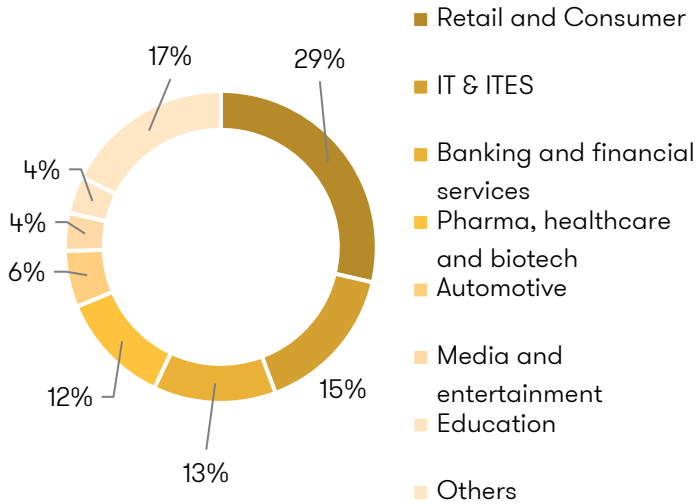
The media and entertainment sector led deal value, while the IT and manufacturing sectors dominate volumes

- The media and entertainment sector maintained consistent deal volumes with 14 transactions, leading in terms of deal values at USD 9.1 billion, contributing to 74% of the total M&A activity. This was primarily due to the USD 8.5 billion merger between Reliance and Disney.
- In contrast, the IT sector led in volumes with 19 deals, although values were relatively low at USD 270 million. This indicates a high frequency of small-value but consistent deal flow, highlighting sustained activity in the sector. The technology sector is expected to see continued growth in cross-border M&A in 2024 as AI/machine learning gains prominence.
- The Manufacturing sector also remained active leading the deal activity with 19 deals valued at USD 276 million reflecting a 36% increase in volumes while an 80% decline in values over Q4 2023 due to three high value deals in the quarter compared to absence of high value deals in Q1 2024.
- The retail sector exhibited resilience in terms of values, with 14 deals valued at USD 925 million, despite a 26% decrease in volumes. The food processing segment dominated the retail space with two notable acquisitions by the Tata group, including Organic India and Capital Foods, accounting for nearly 91% of the M&A deal values in the sector at USD 843 million.
- The banking and financial services demonstrated a strong presence in both volumes and values, with 13 deals amounting to USD 973 million. However, there was a 28% decline in both volumes and values compared to the previous quarter.

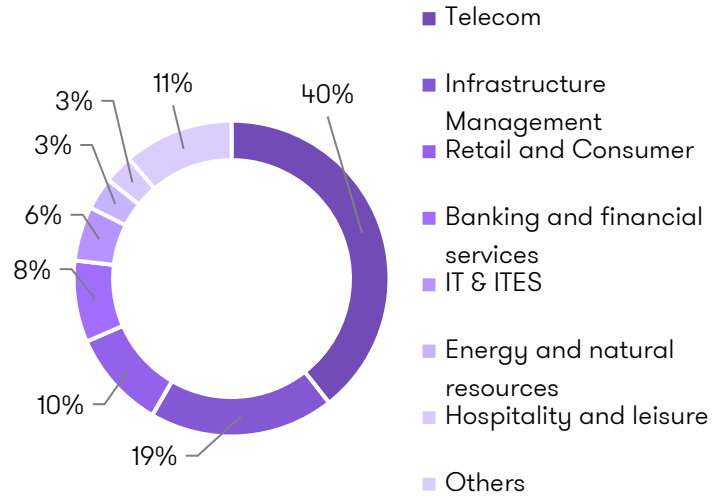
Sector trends

PE trend by Sectors

Top Sectors based on deal volumes



Top Sectors based on deal values



Telecom sector led the deal values, while retail and consumer sector dominated in terms of volumes

- The telecom sector emerged as the leader in deal values, with one billion-dollar and one high-value deal valued at USD 710 million, totaling USD 3.2 billion, and signaling a notable rise considering its absence in the previous quarter's market activity.
- Followed by telecom, infrastructure management recorded seven deals amounting to USD 1.5 billion, reflecting a 632% increase in values and 133% increase in volumes compared to the previous quarter.
- In terms of volumes, the retail sector took the lead with 88 deals valued at USD 823 million. Within this sector, the e-commerce segment garnered significant share (23% in volumes and 26% in values), while other segments such as textiles, apparels & accessories, consumer services, and food processing collectively contributed to 57% of the values and 47% of the volumes.
- The IT sector maintained its strong presence, ranking second in volumes with 48 deals valued at USD 455 million. Tech start-ups dominated the volumes with a 69% share, followed by tech creators/SaaS companies with a 23% share. Q1 2024 witnessed emergence of two unicorns — Krutrim SI Designs (tech start-up sector) and Perfios in the software segment, both in the IT sector.
- Although the pharma sector experienced a 16% increase in volumes, values plummeted by 90% due to the absence of significant transactions and non-disclosure of values compared to Q4 2023. Nonetheless, the HealthTech segment continued to lead the sector with a 36% share.
- The banking and financial services sector observed a 3% increase in activity in terms of volumes and an 18% increase in values over Q4 2023. Within this sector, the FinTech segment led, accounting for 74% of the deals.

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