Grant Thornton

Reforms

Revenue Growth

Consolidation

Annual Dealtracker

Providing you with **merger and acquisition** and **private equity** deals' insights for 2022

18th annual edition

#GTBharat
SHAPING A **VIBRANT INDIA**

Contents

Disclaimer

This document captures the list of deals closed and announced as of 25th December 2022 based on the information available in the public domain. Our analysis in the document is basis appropriate assumption where necessary. For example, deals have been classified by sectors and by funding stage based on certain assumptions. If different assumptions were to be applied, the outcomes and observations would be different. Hence, the document should not be relied upon as a substitute for relevant and detailed advice.

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Foreword

Prashant Mehra
Partner and COO
Grant Thornton Bharat LLP

2022 has been a jarring ride for the global economy and investors with uncertainty and volatility being the dominant theme. The year started off with geopolitical tensions, uncontrollably high inflation, and a pervasive slowdown, but saw some relief in the second half with widespread agreement over the peak of inflation and subsequent allayment of high prices across the board. The global slowdown continues with the Eurozone further struggling with an energy crisis, China still under the symptoms of Covid-19 and the US in an unofficial recession with all eyes on the Federal Reserve as it takes the difficult decision regarding its monetary policy; however, the Indian economy and the Indian capital markets have been an outlier, outperforming the rest of the world on the back of strong performance.

India's GDP is expected to grow from the current USD 3.4 trillion to USD 8.5 trillion over the next 10 years. India is also set to overtake Japan and Germany to become the world's third-largest economy. However, spillover effects of slowdown in major economies, lower exports growth, strengthening USD placing a drag on INR, trade deficit levels and forex reserve levels give rise to near-term risks for domestic growth in addition to the increased spending in the pre-election year impacting the fiscal situation. Despite that, Indian economy remains at a favourable place with a robust credit cycle, improving capex cycle led by healthier balance sheets, rising incomes leading to higher consumption and supportive government policies like extension of PLI scheme to multiple sectors.

Despite many economic fallouts, Indian dealscape stood strong. 2022 was a year of revelations, with India Inc. recording over 2,000 deals valuing over USD 127 billion, a 47% increase in values since last year. Deal activity remained active since the start of the year witnessing record number of deals with over 58% of deals valued at USD 105 billion in H1 2022. However, H2 2022 witnessed a wait and watch approach by both strategic and financial investors, across various sectors and across borders. The PE/VC segment continued to drive volumes while M&A led the values on the back of landmark deals like the HDFC merger, LTI-Mindtree merger among others. M&A deal values hitting an all-time high was the highpoint for 2022.

Stepping into 2023, we are expected to witness a trend reversal from H2 2022 with the following themes. H1 2023 is expected to witness deal activity around consolidation driven by strong balance sheets of companies whose appetite has increased for mixed integration; PE/VC will further fuel this with increased consolidation-backed funding. We are also expected to see activity around distressed asset M&A on a global scale and from India's perspective pushing the cross-border activity that was subdued in H2 2022. Further, from a sector perspective, while the tech sector will continue to be dominant in the coming year, we may see the emergence of a new sector ESG (environmental, social, and governance) driven by increased consciousness especially post Covid. The slowdown in emerging economies could also position India as an attractive alternate investment destination. Moreover, inbound investments as well as domestic consolidation may also eye the buy-side opportunities in the stressed asset sector. All these factors including strong economics will witness 2023 surpass 2022 deal levels.

We, at Grant Thornton Bharat, are pleased to present the 18th annual edition of the Dealtracker, our pioneering publication on the M&A and PE deals in India. When we started this publication 18 years ago, our objective was to cover all the deal highlights and sector updates and provide detailed analysis and insights into deal trends. We continue to emphasise that deals are an important growth driver for the Indian economy. Hence, we believe that for the Indian economy to grow and far exceed its projected growth rate, India Inc. needs to see more of both these activities. We thank you all for being a part of our journey and hope that you will continue to share your valuable feedback. I hope you find this report an insightful read. Stay safe and here's hoping to #GoBeyond towards shaping a #VibrantBharat.

Quick view of 2022

Total Volumes
2,061

Total M&A volumes
477

Total PE volumes
1,530

Total IPO volumes
40

Total QIP volumes
14

Total Values
USD 136.6 billion

Total M&A Values
USD 91.4 billion

Total PE Values
USD 35.4 billion

Total IPO Values
USD 8.3 billion

Total QIP Values
USD 1.5 billion

Top 3 sectors by volume
Start-up > E-commerce > IT& ITes

Top 3 sectors by value
Banking and financial services > IT &ITes > Manufacturing

Top inbound destinations
USA > Singapore > Netherlands > Japan

Top outbound destinations
USA > Switzerland > UK > Singapore

Top 3 cities attracting PE investments
Bangalore > Mumbai > Gurgaon

Top 3 cities witnessing domestic deals
Mumbai > Bangalore > Delhi

Top 3 M&A deals

HDFC – HDFC Bank merger – USD 40 billion
L&T – Mindtree merger – USD 17.7 billion
Adani – Ambuja Cement – USD 10.5 billion

Top 3 PE deals

Viacom18 fundraise of USD 1.8 billion
Sprng Energy – Solenergi Power fundraise of USD 1.6 billion
Brookfield Asset Management – sale of five operational road projects for USD 1.2 billion

Key highlights

Shanthi Vijetha
Partner
Grant Thornton Bharat LLP

Deal-making active amid global downtrend

At the start of 2022, dealmakers were riding on the best year (2021) on record for Indian dealscape and everyone predicted 2022 to be even better before the development of the Russia-Ukraine war and the impact of the same on the global economies. Although there were many setbacks at the start of the year, India recovered quicker than its peers who entered into an unannounced recession with lack of liquidity in the global markets. This is reflected in the subdued inbound deal flow.

India Inc. remained active witnessing 2,007 deals worth USD 127 billion, although this is a 6% decrease in the deal volumes over 2021 (record year); 2022 saw a 47% increase in the values on the back of a few marquee deals that were witnessed in no other year. The year witnessed 11 multi-billion-dollar deals amounting to USD 82. 5 billion and 97 deals valued between USD 100 and USD 999 million amounting to USD 26.2 billion.

Domestic businesses expanding their footprint

India defied the global trend and saw a record level of mergers and acquisitions in 2022, as companies sought to consolidate their positions in their existing businesses. Besides consolidations, this year's M&As were also driven by conglomerates' entry into new businesses. These trends led to the largest-ever transactions in the banking, cement, and IT sectors. The top three transactions, namely the HDFC-HDFC Bank merger, the L&T and Mindtree merger and Adani acquiring Ambuja cement, alone accounted for 75% of the total values in the M&A space.

Domestic consolidation dominated the M&A deal space recording 355 deals valued at USD 70.7 billion. Outbound activity saw record deal values till date amounting to USD 17.9 billion across 61 deals. USA dominated the outbound focus with 30 deals worth USD 6.2 billion.

Bangalore, Mumbai, and NCR regions remain the hubs for most deal activity whether in M&A or PE/VC activity; however, tier 2 cities have also been slowly catching up with supporting infrastructure, favourable mix of demographics and opportunity to showcase entrepreneurial talent.

Despite funding winter, wheels are rolling

The Indian funding ecosystem has witnessed a downtrend after a blockbuster fundraising year in 2021. While the total investment in home-grown companies until the first half of 2022 was at par with the previous year, the latter half of the year witnessed a slowdown. India saw a 26% decline in fundraising at USD 35.4 billion from PE/VC compared to the last year. Although PE/VC accounted for 76% of overall deals recording 1,530 deals, due to absence of big-ticket transactions, 2021 numbers were not breached. However, PE/VC investors are optimistic about 2023, with a majority betting on increasing pace of investment and fundraising given the availability of dry powder and the strong domestic and global interest in the Indian markets.

Digitalisation continued to be the prevailing theme

One of the themes brought about by the Covid pandemic is the acceleration of digitalisation. Many businesses across sectors, especially consumer-centric businesses, have been catching up with and adopting the emerging technologies to remain competitive and to identify new growth opportunities. This continues to fuel deal activity in the tech savvy sectors; the deal making in 2022, similar to the trends seen in 2020 and 2021, was led by the start-up, e-commerce and IT sectors which constituted 74% of the deal volumes.

IPO euphoria was shortlived

2022 witnessed the biggest IPO launch (LIC with issue size USD 2.8 billion) in Indian history accounting for 33% of the total issue size. In addition, new-age tech stocks like Paytm, Zomato, PB Fintech or Policybazaar, Nykaa, Delhivery, etc got listed. However, the euphoria was short lived as the listings saw a massive dip in their market capitalisations post listing. The global recessionary

trend and the expiration of the lock-in period of pre-IPO investors might have triggered this. In case of new-age companies, uncertain path to profitability, weak short-term projections and blurred strategic decision may have made the investors jittery. In light of the above, many new-age businesses delayed their IPO plans and started focusing on improving the company's financials and thereby raise private equity/debt funds in the medium term.

Qualified institutional placements, on the other hand, lost the charm as volatility dampened the market sentiment. We saw a 76% decline in values and more than a 50% decline in companies opting for this method of fund raising, with only 14 issues at USD 1.5 billion.

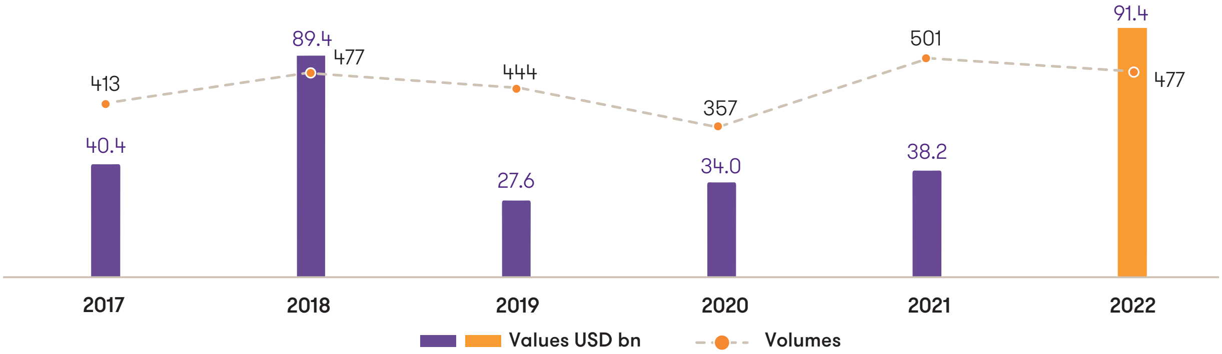
To sum up

The Indian market has been attracting global investors over the years, due to the return potential and scope for differentiated fund strategies in the context of the India growth story. 2020 has been seen as the pandemic year where business strategies changed, and companies opted for new models to stay relevant and 2021 is widely known as the glory year for Indian dealscape, whereas 2022 will be known as the year in which India stood strong amongst the global markets. It also witnessed domestic businesses emerging stronger and pursuing to expand their footprint both domestically and globally. We expect this trend to continue into 2023, which in turn would in turn reinvigorate funding deal activity as the global money will be re-allocated in the backdrop of resilience, confidence and potential in the Indian markets.

Deal-making remained active in 2022...

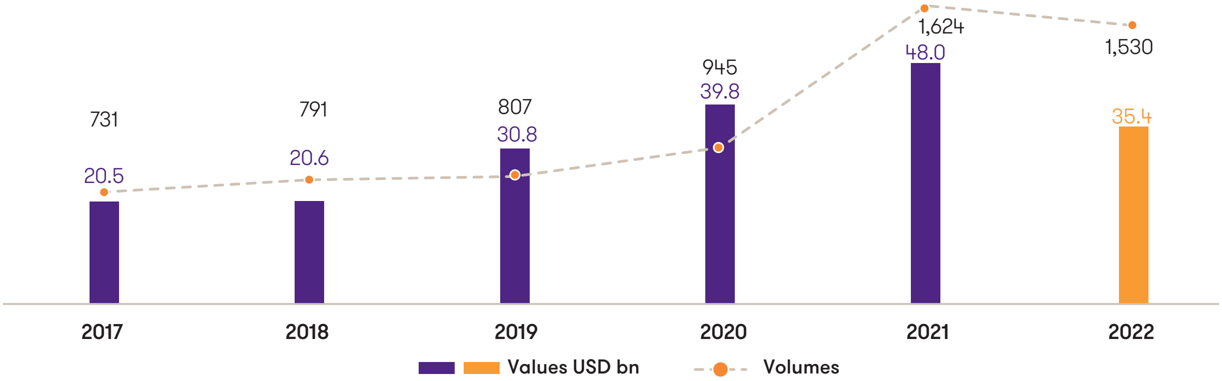
M&A deal annual trend

Top deals >=USD 5 bn	**USD 23 bn** Idea-Vodafone	**USD 16 bn** Walmart-Flipkart **USD 14.6 bn** Bharti Infratel-Indus Towers **USD 5.8 bn** ONGC-Hindustan Petroleum **USD 5.5 bn** Tata Steel-Bhushan Steel	**USD 7.2 bn** ArcelorMittal-Essar Steel	**USD 5.7 bn** Facebook-Jio Platforms	**USD 5.1 bn** Piramal Capital & Housing Finance-Dewan Housing Finance Corporation	**USD 40 bn** HDFC-HDFC bank; **USD 17.69 bn** L&T-Mindtree **USD 10.5 bn** Adani-Ambuja cement
No. of deals >=USD 500 mn	9	22	9	16	14	14



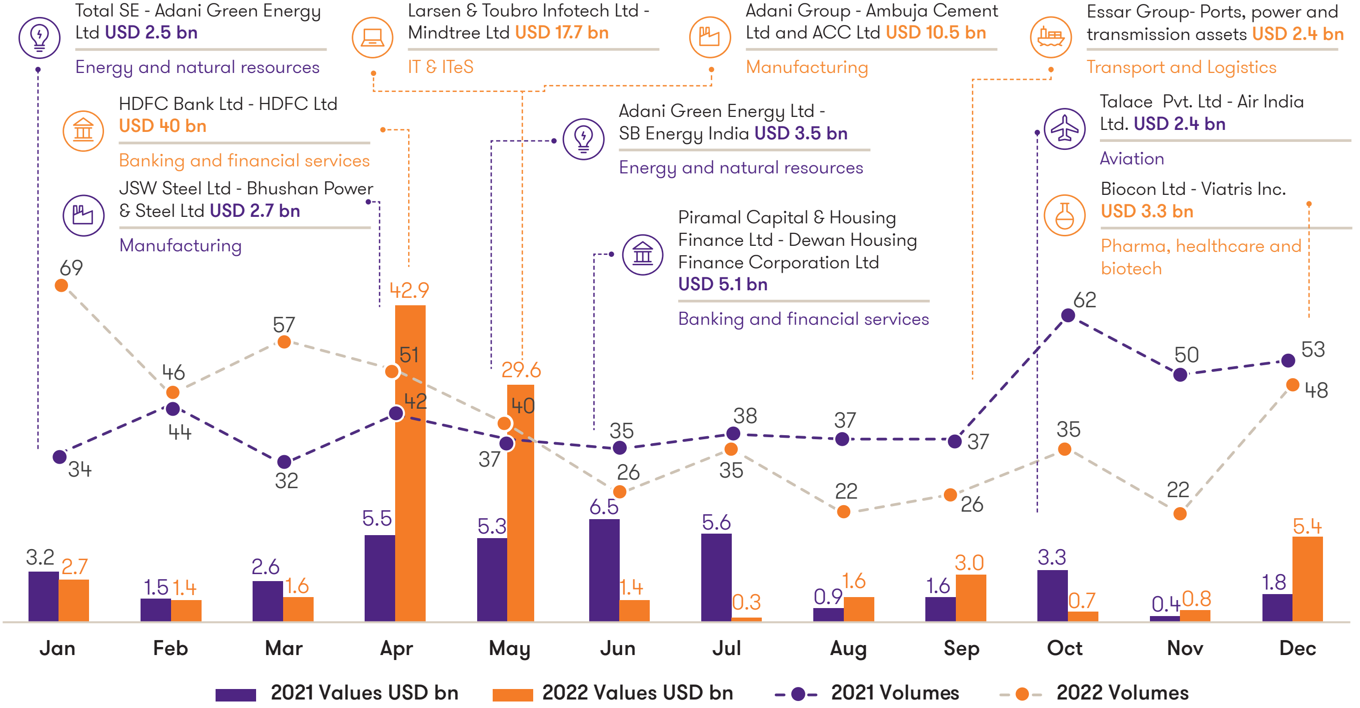
PE deal annual trend

Top deals >=USD 1 bn	**USD 2.5 bn** Flipkart **USD 1.8 bn** Axis Bank **USD 1.4 bn** Paytm **USD 1.4 bn** DLF Cyber City Developers **USD 1.1 bn** Olacabs	**USD 1.2 bn** UPL Ltd **USD 1 bn** Swiggy **USD 1 bn** Oyorooms	**USD 3.7 bn** Reliance Jio Infratel **USD 1.8 bn** East West Pipeline **USD 1 bn** Paytm	**USD 9.8 bn** Jio Platforms **USD 6.4 bn** Reliance Retail Venture **USD 2 bn** RMZ Corp **USD 1.2 bn** Prestige Group **USD 1 bn** Jindal Shadeed Iron and Steel **USD 1 bn** Piramal Glass	**USD 3.6 bn** Flipkart **USD 2.1 bn** Mphasis **USD 1.2 bn** HGS-healthcare biz **USD 1 bn** Tata Passenger Electric Mobility Ltd	**USD 1.8 bn** Viacom18 **USD 1.6 bn** Solenergi Power **USD 1.2 bn** Brookfield Asset Management **USD 1.1 bn** Yes Bank
No. of deals >=USD 500mn	6	6	11	24	14	12



...but pace slowed in H2 2022

M&A deal monthly trend



Total SE - Adani Green Energy Ltd **USD 2.5 bn**

Energy and natural resources

Larsen & Toubro Infotech Ltd - Mindtree Ltd **USD 17.7 bn**

IT & ITeS

Adani Group - Ambuja Cement Ltd and ACC Ltd **USD 10.5 bn**

Manufacturing

ArcelorMittal Nippon Steel Ltd. - Essar Group- Ports, power and transmission assets **USD 2.4 bn**

Transport and Logistics

HDFC Bank Ltd - HDFC Ltd **USD 40 bn**

Banking and financial services

Adani Green Energy Ltd - SB Energy India **USD 3.5 bn**

Energy and natural resources

Talace Pvt. Ltd - Air India Ltd. **USD 2.4 bn**

Aviation

JSW Steel Ltd - Bhushan Power & Steel Ltd **USD 2.7 bn**

Manufacturing

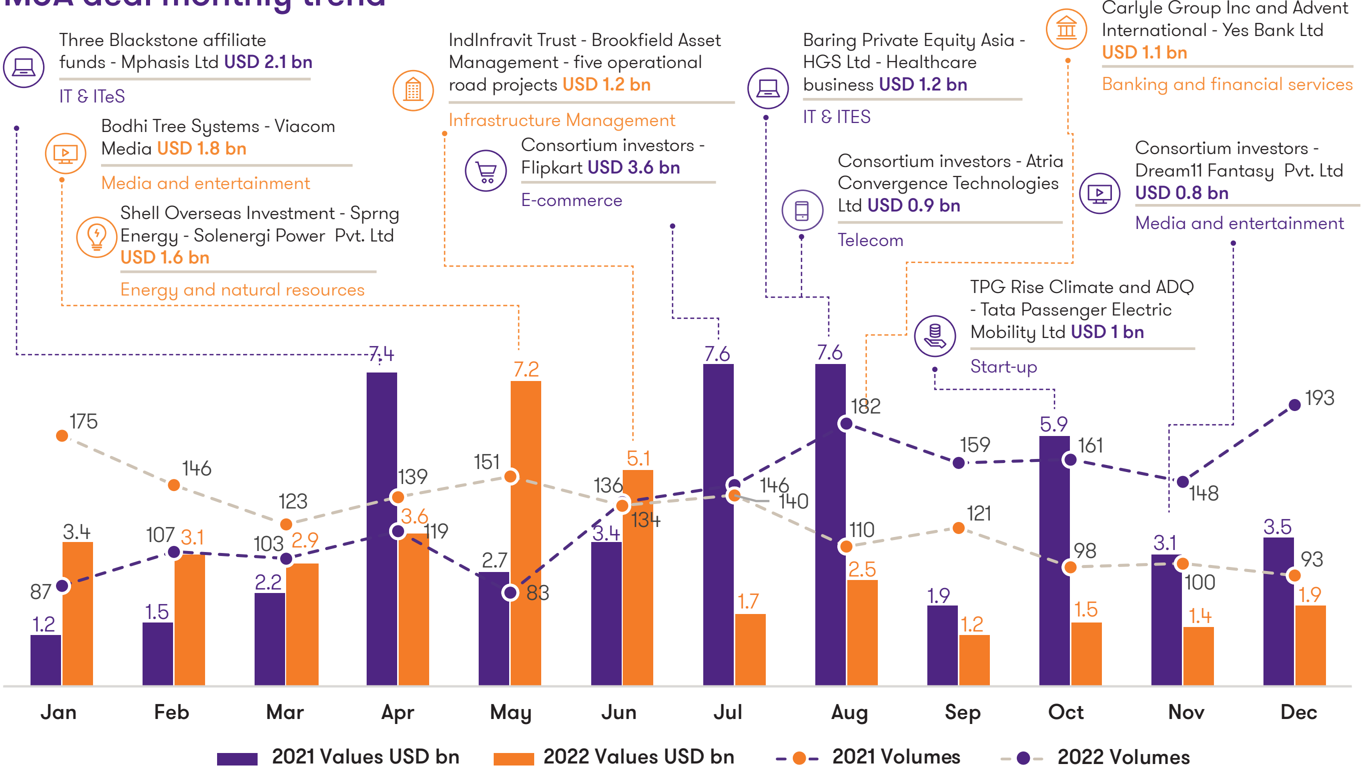
Biocon Ltd - Viatris Inc. **USD 3.3 bn**

Pharma, healthcare and biotech

Piramal Capital & Housing Finance Ltd - Dewan Housing Finance Corporation Ltd **USD 5.1 bn**

Banking and financial services

M&A deal monthly trend



Three Blackstone affiliate funds - Mphasis Ltd **USD 2.1 bn**

IT & ITeS

IndInfravit Trust - Brookfield Asset Management - five operational road projects **USD 1.2 bn**

Infrastructure Management

Baring Private Equity Asia - HGS Ltd - Healthcare business **USD 1.2 bn**

IT & ITES

Carlyle Group Inc and Advent International - Yes Bank Ltd **USD 1.1 bn**

Banking and financial services

Bodhi Tree Systems - Viacom Media **USD 1.8 bn**

Media and entertainment

Consortium investors - Flipkart **USD 3.6 bn**

E-commerce

Consortium investors - Atria Convergence Technologies Ltd **USD 0.9 bn**

Telecom

Consortium investors - Dream11 Fantasy Pvt. Ltd **USD 0.8 bn**

Media and entertainment

Shell Overseas Investment - Sprng Energy - Solenergi Power Pvt. Ltd **USD 1.6 bn**

Energy and natural resources

TPG Rise Climate and ADQ - Tata Passenger Electric Mobility Ltd **USD 1 bn**

Start-up

01

Mergers and acquisitions dealscape

- M&A sector trends
- Top M&A deal board
- Grant Thornton insights
- Domestic M&A deal trend
- Outbound M&A deal trend
- Inbound M&A deal trend

Strategic acquirers upped consolidation and expansion

The mergers and acquisitions activity in India touched a record of USD 91.4 billion, driven by seven multi-billion-dollar deals. The deal-making activity was boosted by economic resilience displayed by Indian economy and its supporting factors resulting in domestic consolidations and overseas expansion across sectors for value creation and market share gain.

Start-ups and IT sector led the volumes accounting for 44% of total volumes, while the BFSI and IT sectors topped the charts in terms of values on back of two big-ticket transactions - the HDFC and HDFC Bank merger (USD 40 bn), and the L&T and Mindtree merger (USD 17.7 bn). Driven by Adani's acquisition of Ambuja Cement for USD 10.5 billion, the manufacturing sector stood strong recording 22 deals at USD 11.8 billion.

Deal activity in the energy sector was seen in the renewable segment driving deal values up to USD 4.2 billion. JSW Energy's acquisition of Mytrah's renewable portfolio for USD 1.3 billion was the biggest of the segment.

While 2022 witnessed a drop in deal values and volumes for the education segment by 88% and 18% respectively, the transport and logistics segment saw an increase of 141% in deal values led by ArcelorMittal Nippon Steel's acquisition of Essar Group's port assets with an 80% increase in volumes. Pharma sector witnessed a significant drop in the volumes, while values spiralled driven by one multi-billion-dollar deal.

Aerospace and defense, automotive, professional services and agriculture sectors were also active during the year compared to muted activity witnessed in 2021.

Start-up	71	126	132	1,097	864	1,061
IT & ITeS	60	78	80	2,300	3,826	19,464
E-commerce	11	51	58	1,447	2,577	1,757
Retail and consumer	21	30	34	928	683	1,086
Pharma, healthcare and biotech	32	48	24	1,089	1,645	4,430
Manufacturing	30	29	22	2,204	3,100	11,815
Media and entertainment	15	22	21	80	736	388
Education	14	23	19	91	2,935	362
Banking and financial services	19	27	14	1,663	9,361	41,877
Energy and natural resources	14	18	14	5,025	7,466	4,191
Professional / Business services	11	7	13	186	38	116
Hospitality and leisure	1	13	13	41	234	229
Transport and logistics	7	5	9	2,014	1,158	2,794
Automotive	23	5	8	397	44	803
Agriculture and forestry	4	1	5	653	5	25

Top sectors based on deal volumes

2020 2021 2022
Volumes

2020 2021 2022
Values USD mn

M&A deal board 2022

Top 10 deals accounted for 87% of the total deal values. Deals such as the HDFC-HDFC Bank merger, the L&T-Mindtree merger, and Adani's acquisition of Ambuja Cement were responsible for 75% of the total M&A deal values.

Acquirer	Target	Sector	USD million	Deal type	% stake	Cross-border/ domestic
HDFC Bank Ltd	HDFC Ltd	Banking and financial services	40,000	Merger	100%	Domestic
Larsen & Toubro Infotech Ltd	Mindtree Ltd	IT & ITeS	17,690	Merger	100%	Domestic
Adani Group	Ambuja Cement Ltd and ACC Ltd	Manufacturing	10,500	Controlling stake	N.A.	Outbound
Biocon Ltd	Viatris Inc.	Pharma, health-care and biotech	3,340	Acquisition	100%	Outbound
ArcelorMittal Nippon Steel Ltd	Essar Group - Ports, power and transmission assets	Transport and Logistics	2,400	Acquisition	100%	Domestic
Axis Bank Ltd	Citicorp Finance (India) Ltd - Indian consumer businesses	Banking and financial services	1,643	Acquisition	100%	Outbound
JSW Energy Ltd - JSW Neo Energy	Mytrah Energy (India) Pvt. Ltd - 1.75 GW of renewable portfolio	Energy and natural resources	1,316	Acquisition	100%	Domestic
Worldone Pvt. Ltd	Jindal Power Ltd	Energy and natural resources	987	Majority stake	96.42%	Domestic
Google International LLC	Bharti Airtel Ltd	Telecom	700	Minority stake	1.28%	Inbound
Dalmia Cement (Bharat) Ltd	Jaiprakash Associates Ltd - clinker, cement and power plants	Manufacturing	691	Acquisition	100%	Domestic

Grant Thornton insights

The deal activity in India remained strong despite volatility in capital markets and an increase in interest rates across the board, with consolidation being the key driver for large deals. This is reflected in this year's average ticket size for acquisition /merger which is the highest till date.

The total deal value this year stood at USD 91.4 billion - the highest in the last 11 years. Around 75% of the total deal values were contributed by three mega deals - the merger of HDFC Bank & HDFC for USD 40 billion, the merger of LTI and Mindtree for USD 17.7 billion, and the acquisition of a controlling stake in Ambuja Cement Ltd and ACC Ltd by Adani Group from Holcim Ltd for USD 10.5 billion.

The banking and financial sector had the highest contribution of 46% in terms of overall deal value followed by the IT & ITeS sector at 21% which was driven by large deals. The start-up sector, on the other hand, contributed the highest in terms of deal volumes but the volume growth was flat over the previous year. The IT/ITES and e-commerce sectors continued to drive the deal volumes for the year.

The disruption caused by the geopolitical instability arising from the Russia-Ukraine war and the fear of recession due to rising inflation rates across the developed markets has impacted valuations. The tempering of valuations from the highs of 2021 is expected to continue in the next year as well. Significant volatility in public capital markets for technology and new-age businesses will lead to challenging times for start-ups and new-age businesses for raising capital, opening opportunities for consolidation. We expect the deal activity during the next year to be better as against the current year.

Abhay Anand
Partner
Grant Thornton Bharat LLP

	Volumes						Values USD mn					
Deal summary	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Domestic	250	285	267	213	382	355	32,278	51,748	17,734	12,973	23,596	70,741
Inbound	86	100	95	67	56	61	5,962	25,694	7,905	18,041	6,624	2,753
Outbound	77	92	82	77	63	61	2,183	11,935	1,995	2,948	8,011	17,943
Grand total	**413**	**477**	**444**	**357**	**501**	**477**	**40,423**	**89,378**	**27,633**	**33,962**	**38,231**	**91,437**

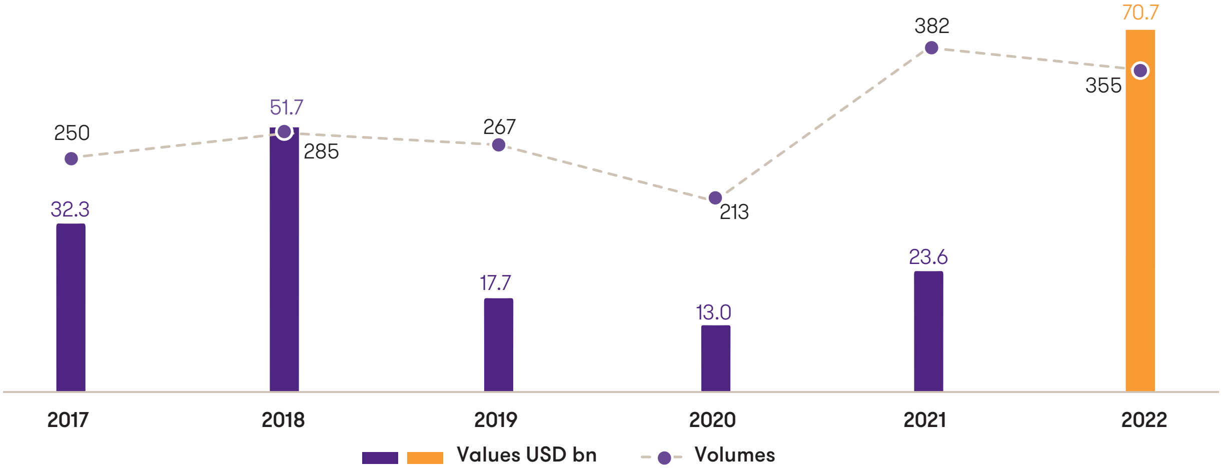
Domestic dealmaking reigns supreme

Domestic M&A deal trend

The Indian domestic M&A saw record deal values in the year 2022 with USD 70.7 billion across 355 deals. Deal values were mainly driven by the biggest deal ever seen in Indian history, the HDFC and HDFC Bank merger (valued USD 40 billion), followed by another landmark deal of LTI-Mindtree (USD 17.7 billion). Barring these two deals, the year witnessed a 45% drop in values. The shrinkage in the deal values can be further attributed to fall in the deal activity from 136 deals in Q1 to 62 deals in Q3 and non disclosure of transaction values.

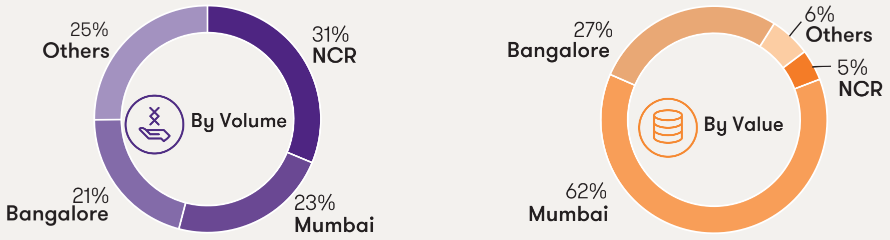
Besides vertical integration, 2022 also witnessed consolidation of companies through acquisition of smaller counterparts to absorb the tech support.

Top deals	**USD 23 bn** Vadafone - Idea **USD 2.4 bn** IndusInd Bank - Bharat Financial Inclusion Ltd **USD 1.2 bn** ONGC - Krishna - Godavari Basin	**USD 14.6 bn** Bharti Infratel - Indus Towers **USD 5.8 bn** ONGC - Hindustan Petroleum Corporation **USD 5.5 bn** Tata Steel - Bhushan Steel	**USD 7.2 bn** ArcelorMittal - Essar Steel **USD 1.7 bn** India Grid Trust - Sterlite Power Transmission Ltd **USD 1 bn** Radiant Life Care - Max Healthcare Institute and Max India	**USD 1.4 bn** Adani Ports and Special Economic Zone - Krishnapatnam Port **USD 1.4 bn** Consortium - Yes Bank **USD 1.3 bn** Embassy Office Parks REIT - Embassy TechVillage	**USD 5.1 bn** Piramal Capital & Housing Finance Ltd.- Dewan Housing Finance Corporation **USD 2.7 bn** JSW Steel Ltd - Bhushan Power & Steel Ltd	**USD 40 bn** HDFC - HDFC Bank; **USD 17.7 bn** L&T - Mindtree
No. of deals >=100 mn	19	32	25	23	31	24



Cities in focus

Bangalore, Mumbai, and NCR remained in focus for domestic M&A.



Sector movement compared to 2021

In 2022 while the new-age sectors like start-up and e-commerce had a greater number of deals, the traditional sectors like banking, IT and energy led in values.

Start-up	118 | 117	↓	780 | 996	↑
E-commerce	47 | 51	↑	2,417 | 1,712	↑
IT & ITeS	32 | 44	↑	401 | 17,991	↑
Retail and consumer	25 | 26		633 | 981	↑
Education	16 | 16		1,909 | 253	↓
Media and entertainment	12 | 15	↑	582 | 293	↓
Pharma, healthcare and biotech	38 | 13	↓	1,419 | 820	↓
Manufacturing	23 | 11	↓	2,967 | 992	↓
Professional / Business services	5 | 9	↑	30 | 56	↑
Transport and logistics	4 | 9	↑	1,150 | 2,794	↑
Energy and natural resources	12 | 9	↓	1,023 | 3,285	↑
Banking and financial services	23 | 8	↓	7,190 | 40,040	↑

Volumes 2021 | 2022

Values USD mn 2021 | 2022

Top 5 deals accounted for 88% of domestic deal values

1. Banking and financial services
USD 40,000 mn
HDFC Bank Ltd-HDFC Ltd

2. IT & ITeS
USD 17,690 mn
Larsen & Toubro Infotech Ltd-Mindtree Ltd

3. Transport and Logistics
USD 2,400 mn
ArcelorMittal Nippon Steel Ltd-Essar Group-Ports, power and transmission assets

4. Energy and natural resources
USD 1,316 mn
JSW Energy Ltd-JSW Neo Energy-Mytrah Energy (India) Pvt. Ltd- 1.75 GW of Renewable Portfolio

5. Energy and natural resources
USD 987 mn
Worldone Pvt. Ltd-Jindal Power Ltd

2023 - make or break year for IBC

We were hoping that 2022 would be a game-changer for IBC.

However, as of September 2022, of the 5,893 cases admitted to the CIRP process, there was closure in 3,946 cases (2/3 of the cases). Unfortunately, liquidation continues to be the biggest mode of closure accounting for 46% of cases closed.

IBBI has so far made 84 amendments to its 18 regulations under the Code, of which around 22 amendments were made in the past year alone. These included two key amendments in September 2022 – one that allows resolution professionals to sell assets on a piecemeal basis (a great boost particularly for the real estate sector, allowing for project-specific resolutions as different projects have differing economics and different classes of resolution applicants) and the other more importantly providing for a performance-based pay structure for Resolution Professionals (incentives aligned to timely resolution and value maximisation). IBBI has recently allowed a juristic person like an Insolvency Professional Entity (IPE) to act as an Insolvency Professional (IP).

In spite of these government initiatives, there is a growing concern that the Code is losing its sheen due to excessive delays and loss of value in the resolution process. Out of admitted CIRPs yielding resolution plans, the realisable value is only 30% of admitted claims, while in the case of CIRPs going into liquidation, the liquidation value is only 7% of admitted claims. The quarter of January-March 2022 for, the first time witnessed the amount to be realised from the resolution process lower than the liquidation value of assets. Towards the end of the year 2022, bids for some of the largest distressed financial sector assets saw a similar trend!

The year 2022 was expected to see a fair amount of action in the distressed financial services space with SREI Infra, SREI Equipment Finance, and Reliance Capital Ltd. admitted for resolution under the IBC in 2021. But the year has gone by and the action has been deferred to 2023. As for the SREI assets, three bidders, NARCL, Varde-Arena, and Authum Investments, await their fate, while in the case of Reliance Capital, the warring bidders Hinduja and Torrent may well enter the year 2023 in litigation.

The time taken to resolve cases under IBC has increased significantly. In 2017-18, the average time for resolution was 230 days, which increased to over 650 days for the period April to September 2022. Moreover, 64% of insolvency cases are ongoing for over 270 days. Such delays and consequent erosion of value might be attributed to (1) adversarial relations between stakeholders, (2) promoter litigation and (3) sub-optimal staffing of NCLT benches.

Distressed funds, both local and international, many of whom Grant Thornton has spoken to, agree that the performance and the impact of IBC are monumental vis-à-vis earlier regimes, but it is not the panacea that it was intended to be. It is time to breathe fresh life into a potentially moribund legislation.

We were also looking forward to some early impact of the National Asset Reconstruction Company Limited (NARCL), the colloquial “bad bank” set up in September 2021. However, NARCL had significant teething issues and bottlenecks that set it back by more than six months.

Thus far, NARCL has given binding bids for 12 accounts aggregating to a debt of INR 67,000 crore. Further, due diligence is being done in 22 other accounts. In a first of its kind deal, NARCL made a full-cash offer (departing from its standard practice of offering security receipts [SRs] as part of its transactions) to take over Consolidated Construction Consortium (CCC) in December 2022.

Outside of IBC, public sector banks are active in restructuring business assets. Point in case, Suzlon had two rounds of restructuring in the recent past, the second of which was a refinancing of loans of SBI-led consortium by REC and IREDA.

The outlook for 2023 is that it will be a make-or-break year for IBC. Should the trends in time delay and value erosion not be reversed, 2023 may well be the swan song year.

Ashish Chhawchharia
Partner & National Head, Restructuring Services
Grant Thornton Bharat LLP

Ashok Rajgopal
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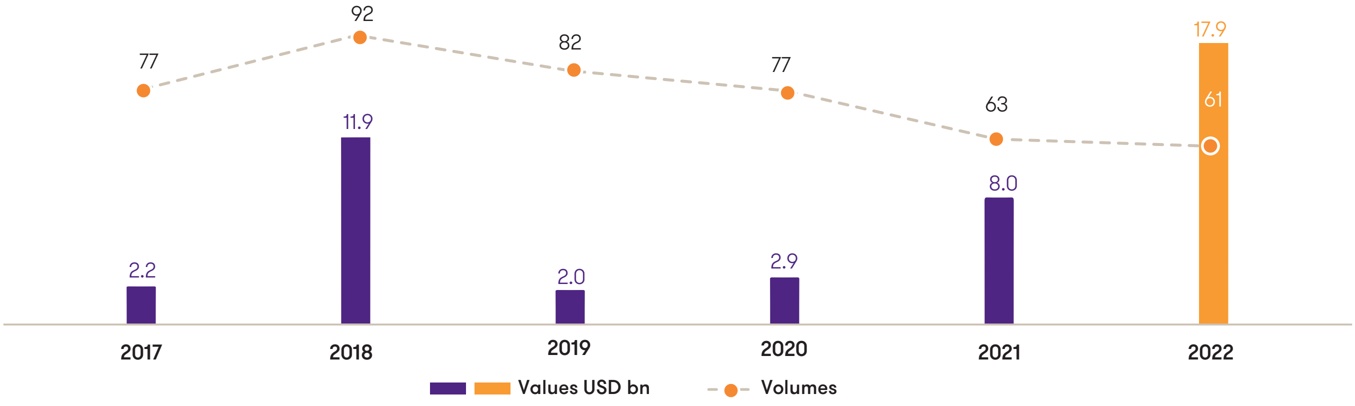
Domestic resilience fueled outbound deal activity

Outbound M&A deal trend

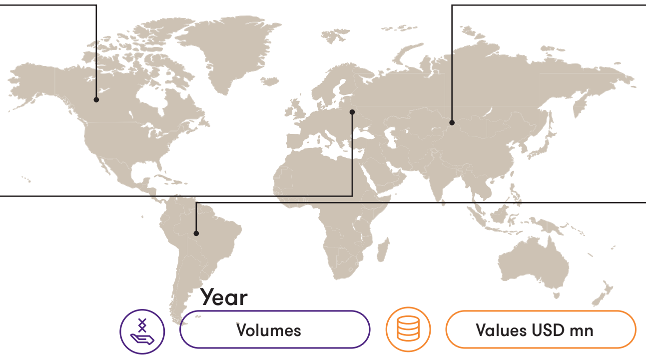
In 2022 we saw record deal values till date amounting to USD 17.9 billion across 61 deals driven by the Adani-Ambuja deal worth USD 10.5 billion. This deal alone accounted for 59% of total deal values for the year.

The outbound activity saw a significant drop in values in the year 2019 but has been growing ever since driven by billion-dollar deals. Indian giants started targeting companies overseas to pursue their global ambitions on the back of resilient domestic economy.

Top deals	**USD 0.7 bn** Fortis Healthcare- RHT Health Trust- Indian asset portfolio	**USD 4.2 bn** UPL Ltd- Arysta Lifescience **USD 2.6 bn** Hindalco Industries Ltd- Novelis Inc- Aleris Corporation **USD 1.8 bn** HCL-IBM	**USD 0.4 bn** OyoRooms - @Leisure Group	**USD 1.5 bn** Haldia Petrochemicals- Lummus Technology	**USD 3.5 bn** Adani Green Energy- SB Energy India **USD 1.5 bn** Wipro-Capco **USD 0.5 bn** Bharti Enterprises-Oneweb **USD 0.5 bn** Byju's-Epic! Creations	**USD 10.5 bn** Adani-Ambuja **USD 3.3 bn** Biocon-Viatris **USD 1.6 bn** Axis-Citicorp Finance **USD 0.5 bn** Wipro-Rizing intermediate holdings
No. of deals >=USD 100 mn	6	11	5	4	11	9



Outbound interest



North America

2020	2021	2022
32	28	30
2,375	2,009	6,163

Europe

2020	2021	2022
24	22	19
259	2,364	11,592

Asia

2020	2021	2022
12	8	11
101	3,601	183

South America

2020	2021	2022
1	1	1
22	9	5

Sector movement compared to 2021

IT & ITeS	30 | 22	↓	2,606 | 1,408	↓
Pharma, healthcare and biotech	5 | 8	↑	50 | 3,595	↑
Manufacturing	3 | 5	↑	42 | 10,667	↑
Retail and consumer	2 | 5	↑	10 | 25	↑
Banking and financial services	1 | 4	↑	5 | 1,665	↑
Media and entertainment	5 | 4	↓	112 | 85	↓
Energy and natural resources	1 | 3	↑	3,500 | 163	↓
Hospitality and leisure	2 | 3	↑	114 | 109	↑
Automotive	3 | 2	↓	30 | 84	↑
E-commerce	- | 2		- | 4	↑
Education	6 | 2	↓	1,021 | 104	↓
Professional / Business services	2 | 1		8 | 37	

Volumes 2021 | 2022

Values USD mn 2021 | 2022

Top 5 deals accounted for 91% of outbound deal values

1. Manufacturing
USD 10,500 mn
Adani Group-Ambuja Cement Ltd and ACC Ltd.

2. Pharma, healthcare and biotech
USD 3,340 mn
Biocon Ltd-Viatris Inc.

3. Banking and financial services
USD 1,643 mn
Axis Bank Ltd-Citicorp Finance (India) Ltd. Indian consumer businesses

4. IT & ITeS
USD 540 mn
Wipro Ltd-Rizing Intermediate Holdings, Inc

5. IT & ITeS
USD 350 mn
Tech Mahindra Ltd-Com Tec Co IT Ltd

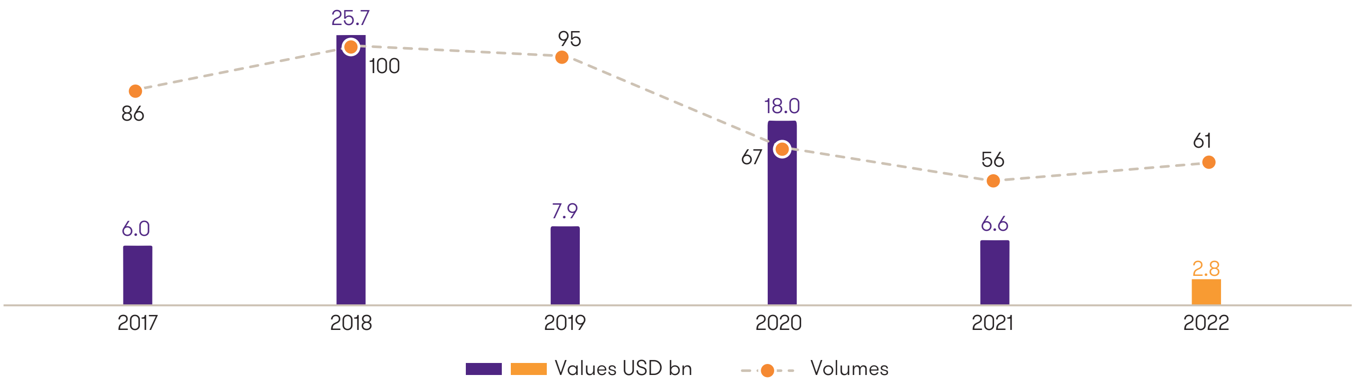
Global uncertainty dampened inbound deal activity

Inbound M&A deal trend

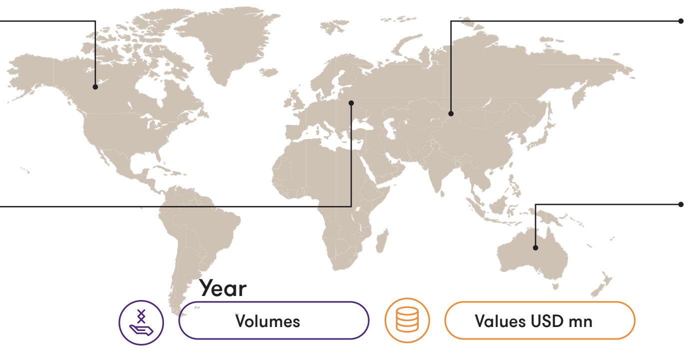
The year 2022 recorded 61 deals at USD 2.8 billion, a 58% decline in deal values when compared to last year with a marginal increase in deal volumes. Global developed economies are entering a long and unpredicted recession amidst global tensions necessitating businesses to cut costs which has resulted in a decline in inbound transactions.

Energy and natural resources saw big-ticket inbound transactions accounting for 27% of the values, while start-up and IT continued to lead in volumes.

Top deals	**USD 0.7 bn** Tencent- Flipkart **USD 0.6 bn** ATC- Idea Cellular **USD 0.6 mn** ATC- Vodafone India Ltd	**USD 16 bn** Walmart - Flipkart **USD 2.1 bn** Schneider Electric- Larsen & Toubro Ltd **USD 1 bn** Teleperformance- Intelenet Global Services	**USD 2 bn** RA Hospitality Holdings- Cayman – OyoRooms **USD 0.9 bn** Total SE- Adani Gas **USD 0.9 bn** Nippon Life Insurance Co. Ltd and others- Reliance Nippon Life Asset Management	**USD 5.7 bn** Facebook Inc- Jio Platforms **USD 4.4 bn** Google- Jio Platforms **USD 1.4 bn** Groupe Aeroports de Paris -GMR Airport **USD 1.2 bn** Walmart-Flipkart **USD 1 bn** BP- Reliance BP Mobility	**USD 2.5 bn** Total SE- Adani Green Energy **USD 2 bn** Sumitomo Mitsui - Fullerton India Credit Company	**USD 700 mn** Google international – Bharti Airtel
No. of deals >=USD 100 mn	20	24	21	17	9	5



Inbound interest



North America

2020	2021	2022
16	27	23
12,716	451	928

Europe

2020	2021	2022
26	12	15
3,673	3,355	895

Asia

2020	2021	2022
23	16	22
1,645	2,768	925

Australia/Oceania

2020	2021	2022
2	1	1
6	50	5

Year

Volumes

Values USD mn

Sector movement compared to 2021

Start-up	8 | 15	↑	84 | 64	↑
IT & ITeS	16 | 14		819 | 66	↓
Manufacturing	3 | 6	↑	91 | 156	↑
E-commerce	4 | 5		160 | 41	↓
Pharma, healthcare and biotech	5 | 3	↑	175 | 15	↓
Professional / Business services	- | 3	↑	- | 24	↑
Retail and consumer	3 | 3		40 | 80	↑
Banking and financial services	3 | 2		2,166 | 172	↓
Energy and natural resources	5 | 2	↓	2,943 | 743	↓
Media and entertainment	5 | 2	↓	42 | 10	↓
Automotive	- | 1	↑	- | 631	↑

Volumes 2021 | 2022

Values USD mn 2021 | 2022

Top 5 deals accounted for 81% of inbound deal values

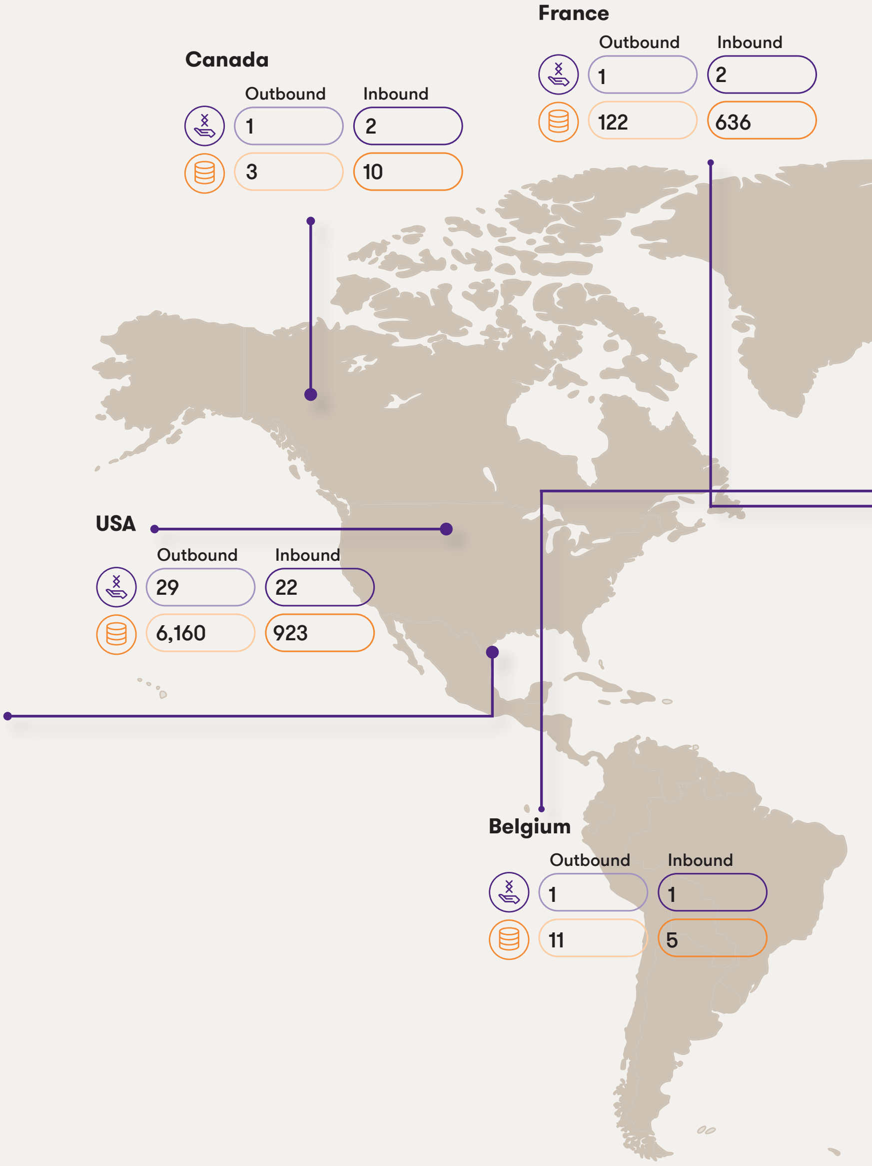
1. Telecom
   USD 700 mn
   Google International LLC-Bharti Airtel Ltd
2. Automotive
   USD 631 mn
   Compagnie Plastic Omnium SE-Varroc Engineering Pvt. Ltd- four-wheeler lighting system operations in the Americas and Europe
3. Energy and natural resources
   USD 408 mn
   Resurgent Power Ventures Pte Ltd-South East U.P. Power Transmission Company Ltd
4. Energy and natural resources
   USD 335 mn
   Sembcorp Industries Ltd.- Vector Green Energy Pvt. Ltd.
5. Banking and financial services
   USD 167 mn
   Generali Participations Netherlands N. V.- Future Generali India Life Insurance Company Ltd. and Future Generali India Insurance Company Ltd.

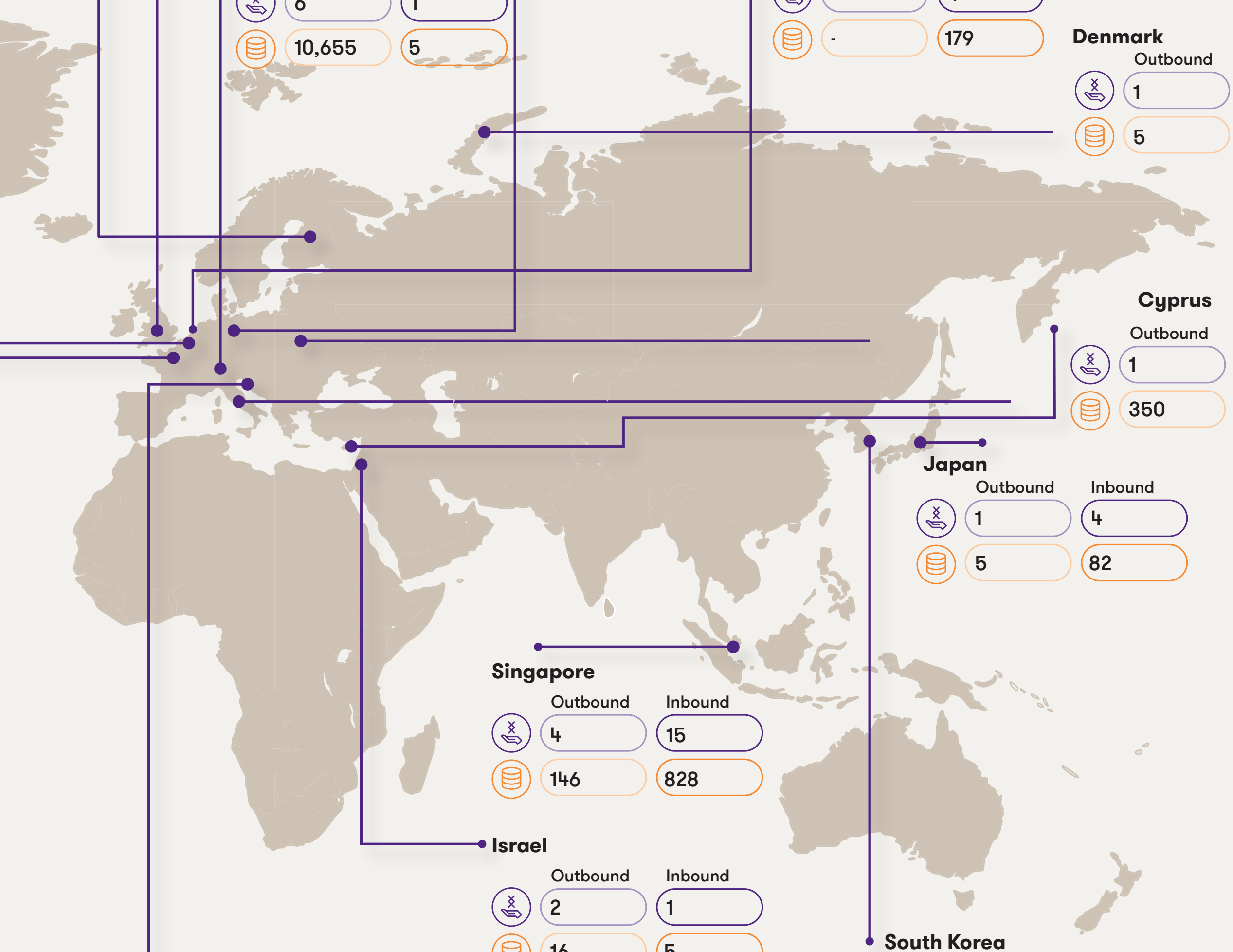
Geographic spread of deals crossing borders

Globally, recovery post pandemic has been remarkably uneven. This can be seen with transactions from the Asian subcontinent rebounding substantially faster than other regions.

The value of cross-border transactions in 2022 crossed USD 20.7 billion across 122 deals, compared to USD 14.6 billion across 119 deals. The USA accounted for 29% of total deal volumes and 26% of the total values.

The cross-border transactions have recovered in value since last year and slowly expect to enter the pre-pandemic levels driven by outbound deal activity. However, given that a large share of cross-border transactions is from the USA, the UK, Singapore, and Europe, the impact of the recession on the future deal activity will need to be looked out for.





Finland

	Outbound	Inbound
	1	-
	107	-

Germany

	Outbound	Inbound
	3	1
	109	5

UK

	Outbound	Inbound
	4	3
	227	55

Amsterdam

	Outbound	Inbound
	-	4
	-	179

Switzerland

	Outbound	Inbound
	6	1
	10,655	5

Denmark

	Outbound	Inbound
	1	1
	5	5

Cyprus

	Outbound	Inbound
	1	-
	350	-

Japan

	Outbound	Inbound
	1	4
	5	82

Singapore

	Outbound	Inbound
	4	15
	146	828

Israel

	Outbound	Inbound
	2	1
	16	5

South Korea

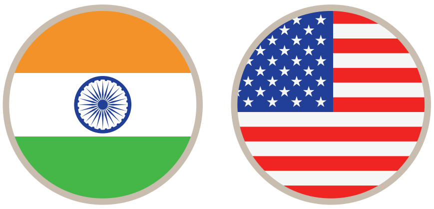
	Outbound	Inbound
	1	1
	5	5

Croatia

	Outbound	Inbound
	1	-
	6	-

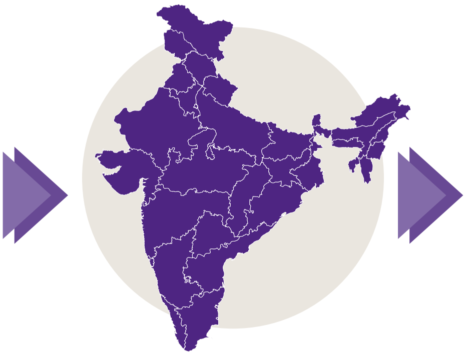
Corridors

India-USA



Inbound

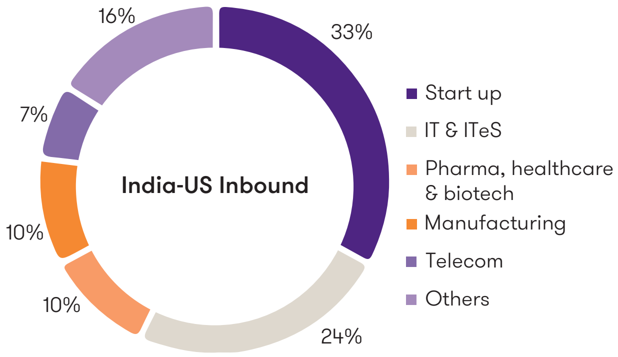
	Volumes	Values USD mn
2018	42	18,658
2019	31	1,461
2020	16	12,716
2021	26	446
2022	22	923

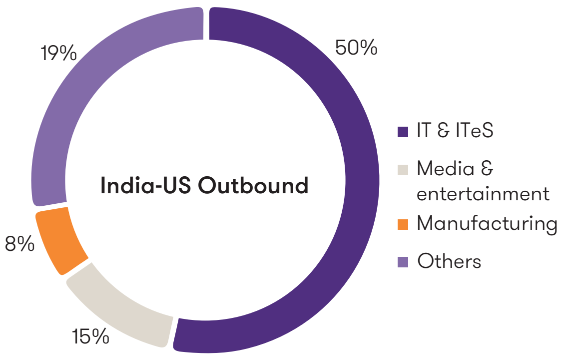


Outbound

	Volumes	Values USD mn
2018	42	10,167
2019	31	688
2020	30	2,366
2021	27	2,004
2022	29	6,160

Top sector by volumes - 2022





Top 5 deals

Outbound
Pharma, healthcare and biotech
USD 3.3 bn
Biocon Ltd- Viatris Inc.

Outbound
Banking and financial services
USD 1.6 bn
Axis Bank Ltd-Citicorp Finance (India) Limited - Indian consumer businesses

Inbound
Telecom
USD 700 mn
Google International LLC-Bharti Airtel Ltd

Outbound
IT & ITeS
USD 540 mn
Wipro Ltd-Rizing Intermediate Holdings, Inc

Outbound
IT & ITeS
USD 100 mn
Netcore Cloud-Unbxd Inc

Grant Thornton insights

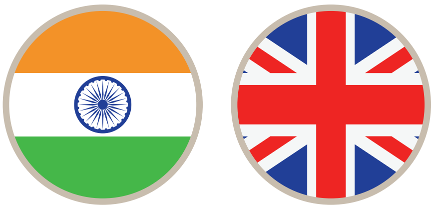
After a mega-year of deal-making witnessed in 2021, the global M&A market witnessed marginal decline in the deal activity during 2022. While geopolitical issues, the energy crisis, and a global slowdown inflicted damage on deal activity, untamed inflation and a monetary policy reversal evident by heavily-risen yields have put a major dent in investor sentiments globally.

The absence of any mega inbound deal was conspicuous, with the largest one being Google's investment of USD 700 million for a 1.3% stake in telecom major Airtel. Outbound deals were led by Biocon Ltd's acquisition of Viatris Inc for USD 3.3 billion followed by Axis Bank's acquisition of Citibank's consumer business in India for USD 1.6 billion – the only two billion-dollar-plus deal in the corridor, followed by Wipro's USD 540 million acquisition of SAP consulting firm Rizing Intermediate Holdings, Inc.

However, amidst all the chaos in the past year, the Indian economy and capital markets came out strong, outperforming all peers. India-US investments touched USD 7.1 billion and recorded a y-o-y growth of 189%. Strong outbound investments show the hunger for the expansion of Indian businesses. Further, a massive growth of over 100% in inbound investments in these times of extreme uncertainty demonstrates the confidence American businesses have in the India growth story, now more than ever. Robust investment flow and trade engagement between the two economies, along with growth drivers such as the China-Plus-One strategy and prospects of an increasingly strong technology corridor promise a synergy between the two nations which may help define one of the most important decades for the India-US corridor.

Siddhartha Nigam
National Managing Partner, Growth
Grant Thornton Bharat LLP

India-UK



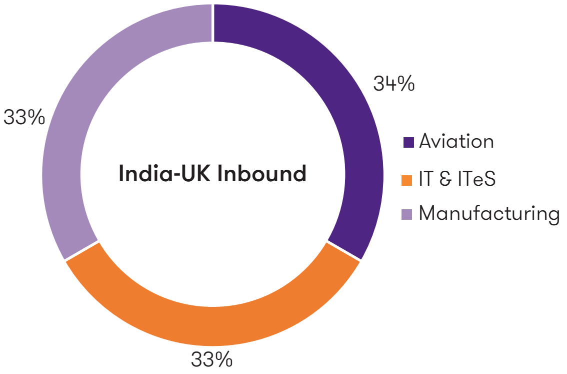
Inbound

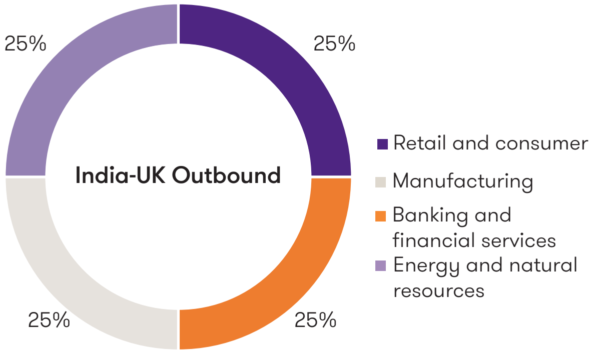
	Volumes	Values USD mn
2018	2	10
2019	3	2,010
2020	7	1,187
2021	1	5
2022	3	55

Outbound

	Volumes	Values USD mn
2018	4	177
2019	9	337
2020	7	85
2021	9	2,063
2022	4	227

Top sector by volumes - 2022





Top 5 deals

Outbound

Energy and natural resources

USD 136 mn

Reliance New Energy Solar Ltd- Faradion Ltd.

Outbound

Manufacturing

USD 81 mn

Safex Chemicals India Ltd- Briar Chemicals Ltd.

Inbound

Aviation

USD 37 mn

SRAM & MRAM Technologies and Resources Ltd- Bumble Bee Flights (India) Pvt. Ltd

Inbound

Manufacturing

USD 13 mn

Volex Plc - InYantra Technologies Pvt. Ltd

Inbound

IT & ITeS

USD 5 mn

Real- Syntellect India Pvt. Ltd.

Grant Thornton insights

In the immediate term, the British Chambers of Commerce (BCC) is now forecasting a five-quarter recession for the UK economy which began in Q3 of 2022. And with inflation expected to be at 11% in Q4 2022 slowing to 5% by Q4 2023, the near-term economic scenario remains grim. Business investments and household consumption are expected to fall further during 2023 as interest rates continue their march upward to tame inflation. While recovery is expected in 2024, it will not be strong enough to compensate for the current decline. It is this weakness in economy and confidence that has somewhat reflected in the deal activity in the UK corridor during the year 2022. Both in size and the number of deals, the year 2022 has been one of the lowest in recent times and for the first time in the last four years, there has been no large marquee transaction bigger than USD 200 million.
Let us hope the business confidence increases as a more predictable political situation in the UK and economic stability return in 2023.

Ashish Chhawchharia
Partner & National Head, Restructuring Services
Grant Thornton Bharat LLP

India-Europe

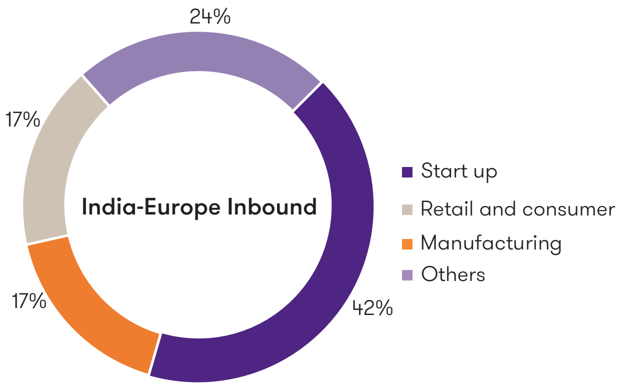
Inbound

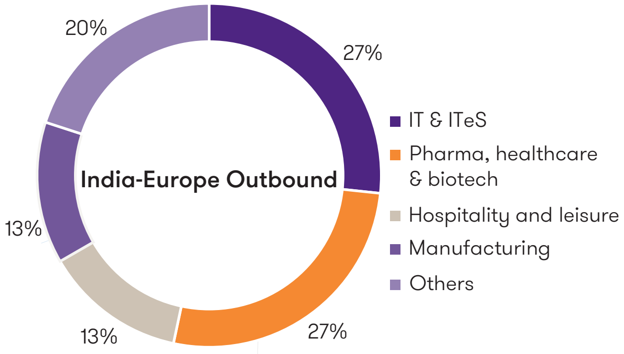
	Volumes	Values USD mn
2018	16	3,612
2019	19	1,395
2020	17	2,301
2021	11	3,350
2022	12	841

Outbound

	Volumes	Values USD mn
2018	21	634
2019	20	775
2020	16	138
2021	13	3,766
2022	15	11.365

Top sector by volumes - 2022





India-Germany

Inbound

	Volumes	Values USD mn
2018	5	89
2019	1	5
2020	3	230
2021	-	-
2022	1	5

Outbound

	Volumes	Values USD mn
2018	7	158
2019	6	87
2020	3	11
2021	3	59
2022	3	109

Top 5 deals

Outbound

Manufacturing

USD 10.5 bn

Adani Group- Holcim Ltd (Ambuja Cement Ltd and ACC Ltd)

Inbound

Automotive

USD 631 mn

Compagnie Plastic Omnium SE-Varroc Engineering - four-wheeler lighting system

Outbound

IT & ITeS

USD 350 mn

Tech Mahindra Ltd-Com Tec Co IT Ltd

Inbound

Banking and financial services

USD 167 mn

Generali Participations Netherlands N. V.- Future Generali India Life Insurance Company and Future GeneraliIndia Insurance Company

Inbound

Pharma, healthcare and biotech

USD 122 mn

Gland Pharma Ltd-Cenexi Group- CDMO

Grant Thornton insights

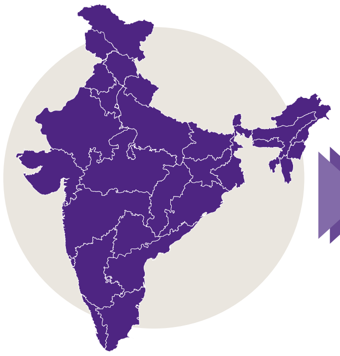
With India's bilateral trade with the EU increasing by approximately 43% in 2021-22, reaching USD116.36 billion, there is marked optimism suggesting growth in deals and collaboration with the EU, and India-Germany corridor in the near future. This will be largely driven by the automotive, energy and natural resources, and manufacturing sectors. Additionally, enhanced focus on promoting a circular economy and sustainable supply chains by the Indian government (by means of policies such as Energy Conservation Bill, 2022), will act as a catalyst in fueling economic opportunities which are aligned to the long-term growth objectives of both the economies.

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

India-Japan

Inbound

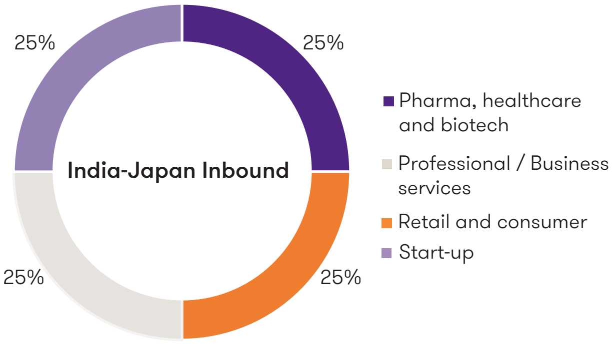
	Volumes	Values USD mn
2018	6	221
2019	12	1,427
2020	9	351
2021	6	2,156
2022	4	82

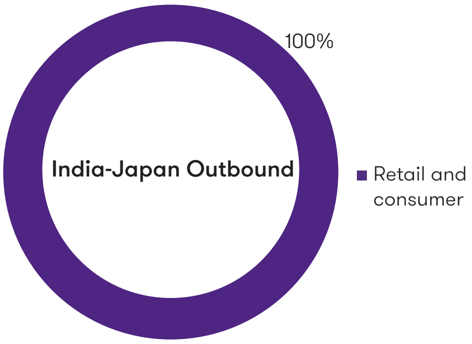


Outbound

	Volumes	Values USD mn
2018	2	159
2019	2	38
2020	-	-
2021	-	-
2022	1	5

Top sector by volumes - 2022





Top deals

Inbound

Retail and consumer

USD 70 mn

Kirin Holdings-B9 Beverages Pvt. Ltd-Bira 91

Inbound

Start-up

USD 2 mn

Akatsuki Inc-Playverse Ventures Pvt. Ltd.

Inbound

Pharma, healthcare and biotech

Undisclosed

Human Life Management Inc -Aegis Care Advisors Pvt. Ltd-Care24

Inbound

Professional/business services

Undisclosed

Persol Holdings Co. Ltd.-Eloquent Info Solutions Pvt Ltd- WorkIndia

Outbound

Retail and consumer

Undisclosed

Lenskart Solutions Pvt. Ltd-OWNDAYS co. Ltd

Grant Thornton insights

Japan is the fifth largest investor in India with over 1,455 Japanese companies operating in India. Japanese investments in India are primarily joint ventures. Four inbound and one outbound transaction were reported in the India – Japan corridor in 2022 as compared to 14 transactions (highest in the last six years) in 2019 and 6 transactions in 2021 (lowest). The year 2021 with the USD 2 billion transaction of Sumitomo Mitsui Financial Group, Inc acquiring Fullerton India Credit Company Ltd. was the single largest transaction in the last six years. The year 2022 reported the lowest aggregate value of transactions (USD 87 million) in the last six years.

India – Japan 14th annual summit concluded between the two countries in March 2022, paving the way for a promising investment roadmap from Japan to India with an investment target of USD 42 billion over the next five years. In this context, we expect a significant lineup of transactions in the coming years across sectors.

Pankaj Chopda
Partner, Growth
Grant Thornton Bharat LLP

02 Private equity dealscape

- Sector focus
- PE investment deal board 2022
- Grant Thornton insights
- PE investments - cities in focus
- PE exit trend

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

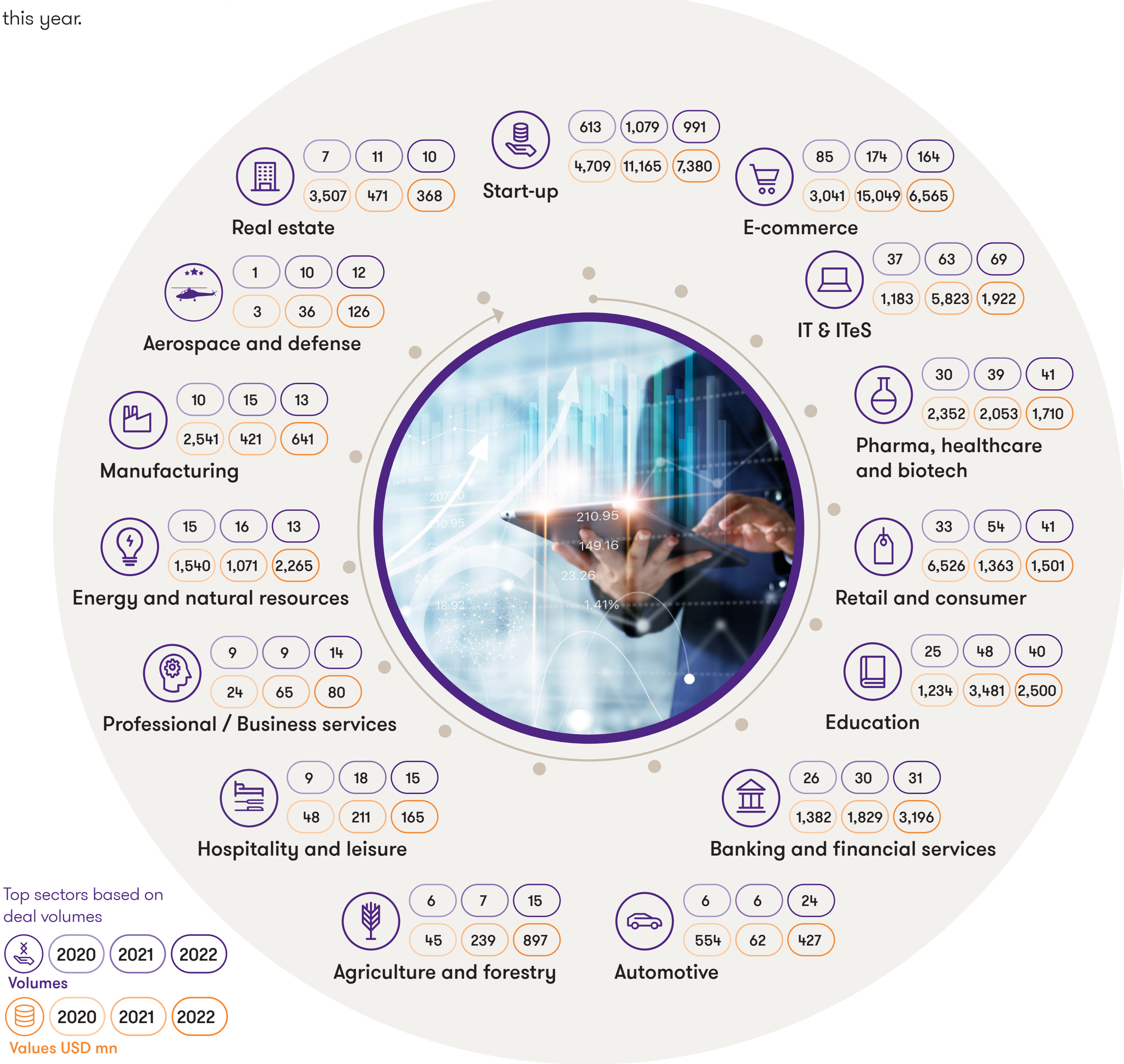
2022 witnessed start-up attention beginning to wear off as macroeconomic factors slowed consumer spending. Despite being the leading sector both in terms of volumes and values, the start-up sector witnessed a downtrend in 2022 compared to 2021 owing to the absence of big-ticket transactions due to the conservative approach opted by the investors amidst the global uncertainty.

The e-commerce and IT sector followed in terms of volumes and these three sectors accounted for 80% of total deals this year.

On the values front, start-ups, e-commerce, and banking and financial services dominated and accounted for 48% of total values amounting to USD 17.1 billion.

IIn 2022, a heightened deal of activity in agriculture and forestry, automotive, and professional/ business services was witnessed.

- Agriculture volumes more than doubled with nearly a three-fold increase in values over the last year driven by investment in the agricultural services segment. The sector saw three transactions above USD 100 million.
- Automotive sector saw significant growth in volumes from six deals in 2021 to 24 deals in 2022 worth USD 427 million.
- Professional/Business services saw a 56% increase in volumes and a 23% increase in values.



Start-up	613	1,079	991	4,709	11,165	7,380
Real estate	7	11	10	3,507	471	368
E-commerce	85	174	164	3,041	15,049	6,565
Aerospace and defense	1	10	12	3	36	126
IT & ITeS	37	63	69	1,183	5,823	1,922
Manufacturing	10	15	13	2,541	421	641
Pharma, healthcare and biotech	30	39	41	2,352	2,053	1,710
Energy and natural resources	15	16	13	1,540	1,071	2,265
Retail and consumer	33	54	41	6,526	1,363	1,501
Professional / Business services	9	9	14	24	65	80
Education	25	48	40	1,234	3,481	2,500
Hospitality and leisure	9	18	15	48	211	165
Banking and financial services	26	30	31	1,382	1,829	3,196
Agriculture and forestry	6	7	15	45	239	897
Automotive	6	6	24	554	62	427

Top sectors based on deal volumes

2020 2021 2022
Volumes

2020 2021 2022
Values USD mn

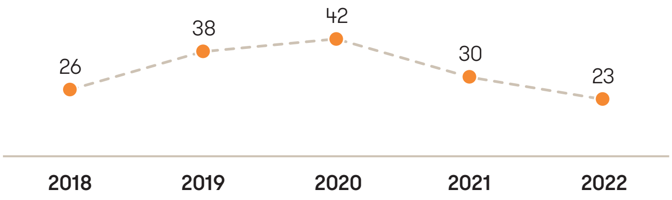
PE investment deal board - 2022

The top 10 deals in 2022 accounted for 29% investment values. The year recorded four deals in the billion-dollar category and 66 deals valued between USD 100 million and USD 999 million together accounting for 63% of total PE deal values.

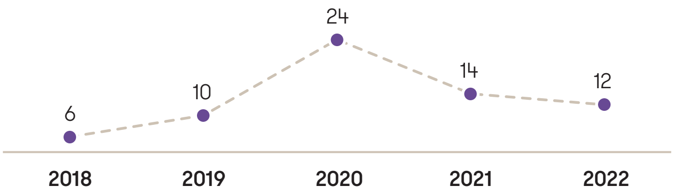
Investor	Investee	Sector	% Stake	Investment Value in USD mn
Bodhi Tree Systems	Viacom18 Media Pvt. Ltd	Media and entertainment	N.A.	1,776
Shell Overseas Investment B.V.	Sprng Energy Pvt. Ltd.-Solenergi Power Pvt. Ltd.	Energy and natural resources	100%	1,550
IndInfravit Trust	Brookfield Asset Management-five operational road projects	Infrastructure Management	100%	1,200
Carlyle Group Inc and Advent International	Yes Bank Ltd	Banking and financial services	20%	1,100
CPPIB, Ontario Teachers Pension Plan Board, Luxor Capital, Sumeru Ventures, Sofina Group, Baillie Gifford, and others	Ver Se Innovation Pvt. Ltd	Media and entertainment	N.A.	805
Sumeru Ventures, Vitruvian Partners, BlackRock and angel investor	Think & Learn Pvt. Ltd-Byju's	Education	N.A.	800
Baring PE Asia	IGT Solutions Pvt. Ltd	IT & ITeS	85%	800
Actis LLP	Welspun Enterprises Ltd.-six operating highway toll road projects	Infrastructure management	100%	775
Invesco, Baron Capital Group, Sumeru Venture, IIFL AMC Late Stake Tech Fund, Kotak, Axis Growth, Sixteenth Street Capital, Ghisallo, Smile Group, Segantii Capital, Prosus Ventures, Alpha Wave Global, Qatar Investment Authority and ARK Impact	Bundl Technologies Pvt. Ltd-Swiggy.com	E-commerce	N.A.	700
Bodhi Tree Systems	Allen Career Institute	Education	N.A.	600

PE/VCs investments - Trend in ticket sizes

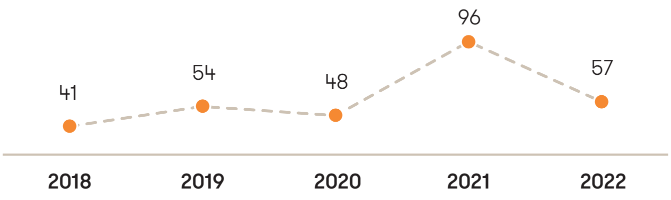
Average ticket size



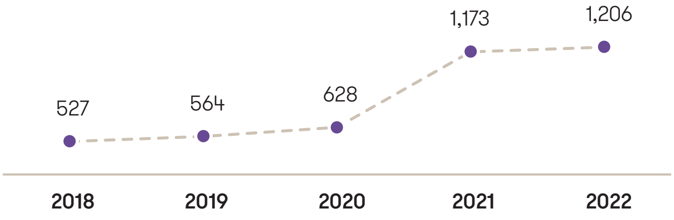
Deals >USD 500 mn ticket size



Deals between USD 100 mn - USD 499 mn ticket size



Deals <USD 100 mn ticket size



Grant Thornton insights

The private equity space in India saw a decline in 2022, with PE deal volumes declining by 6% and deal values declining by 26%. The decline should not be attributed to declining interest in India's private investment space but to the global macroeconomic conditions and record-breaking performance of the industry in the year prior contributing to a high base effect.

The start-up space attracted the most investment USD 7.4 bn across 991 deals) with a slight decline of 8% in volumes as compared to the 34% decline in investments indicating lower ticket size investments, followed by e-commerce, which pulled in USD 6.6 bn and declined by 56% in Investments. The IT & ITeS sector saw an investment decrease of 67%. This fundamentally strong sector with a bleak near-term outlook was affected globally due to the tech bubble burst. Sectors that saw strong investment growth in 2022 were banking and financial services (with 75% growth), infrastructure management (with 410% growth) and energy and natural resources (with 111% growth).

The Indian economy remains at a favourable place with a robust credit cycle, improving capex cycle, rising incomes leading to higher consumption and supportive government policies. Indian economy's tremendous performance in 2022 and the positive outlook for growth in the coming decade make India one of the best investment destinations for both foreign and domestic investors across multiple sectors. Further, expectations of peaking interest rates and an uptick in IPOs and other Investment exits improve the prospects.

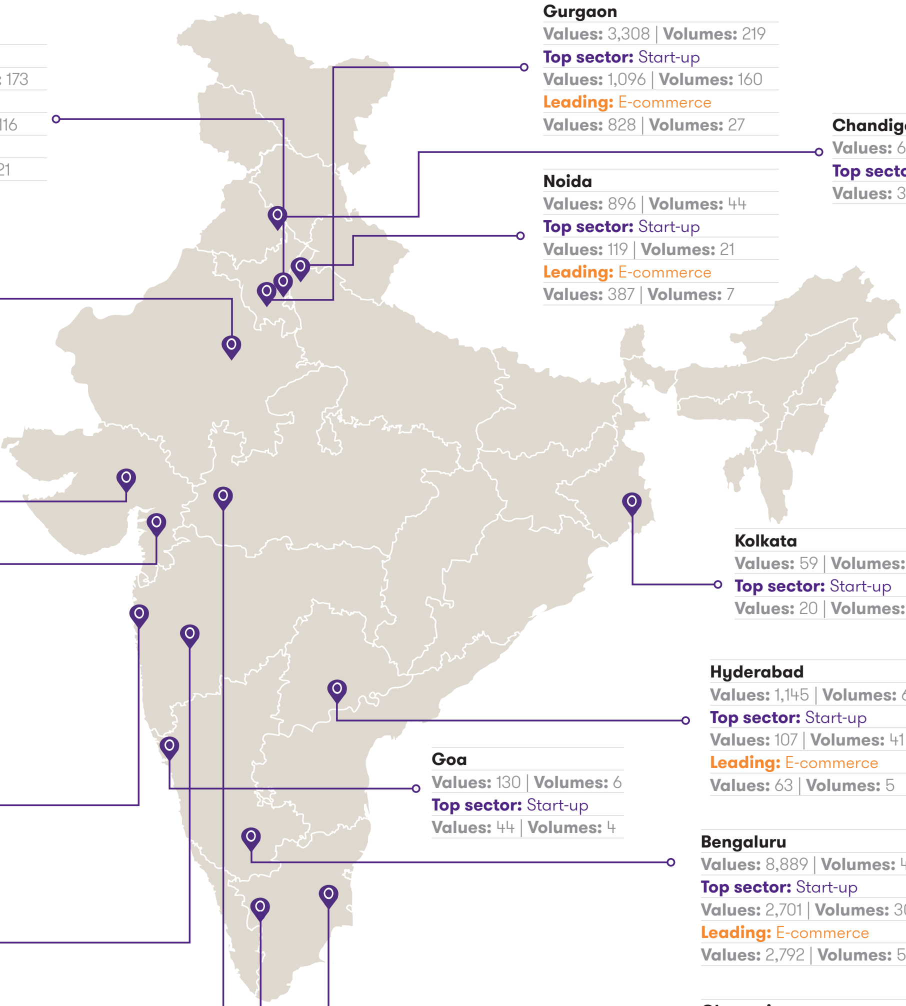
Dinesh Anand
Partner and National Sector Leader,
PE and VC
Grant Thornton Bharat LLP

Pune and tier II cities are buzzing with funding activity

Cities in focus

Bengaluru which is the "Silicon Valley of India" tops the charts in terms of volumes as it is home to a majority of companies. Mumbai topped the charts in terms of values and accounted for 27% of total values.

Pune, the only non-capital tier I city in India, witnessed a higher deal value than most tier I cities and came third in terms of deal value. Tier II cities such as Indore, Surat, Jaipur, and Coimbatore also showed increased funding activity and the emergence of new start-ups.



Gurgaon
Values: 3,308 | **Volumes:** 219
Top sector: Start-up
Values: 1,096 | **Volumes:** 160
Leading: E-commerce
Values: 828 | **Volumes:** 27

Delhi
Values: 3,165 | **Volumes:** 173
Top sector: Start-up
Values: 605 | **Volumes:** 116
Leading: E-commerce
Values: 698 | **Volumes:** 21

Chandigarh
Values: 68 | **Volumes:** 7
Top sector: Start-up
Values: 34 | **Volumes:** 4

Noida
Values: 896 | **Volumes:** 44
Top sector: Start-up
Values: 119 | **Volumes:** 21
Leading: E-commerce
Values: 387 | **Volumes:** 7

Jaipur
Values: 768 | **Volumes:** 19
Top sector: Start-up
Values: 232 | **Volumes:** 11
Leading: E-commerce
Values: 469 | **Volumes:** 4

Ahmedabad
Values: 142 | **Volumes:** 28
Top sector: Start-up
Values: 95 | **Volumes:** 20

Kolkata
Values: 59 | **Volumes:** 11
Top sector: Start-up
Values: 20 | **Volumes:** 7

Surat
Values: 35 | **Volumes:** 11
Top sector: Start-up
Values: 2 | **Volumes:** 6
Leading: Manufacturing
Values: 18 | **Volumes:** 2

Hyderabad
Values: 1,145 | **Volumes:** 65
Top sector: Start-up
Values: 107 | **Volumes:** 41
Leading: E-commerce
Values: 63 | **Volumes:** 5

Mumbai
Values: 9,470 | **Volumes:** 285
Top sector: Start-up
Values: 1,422 | **Volumes:** 161
Leading: E-commerce
Values: 633 | **Volumes:** 33

Goa
Values: 130 | **Volumes:** 6
Top sector: Start-up
Values: 44 | **Volumes:** 4

Bengaluru
Values: 8,889 | **Volumes:** 450
Top sector: Start-up
Values: 2,701 | **Volumes:** 309
Leading: E-commerce
Values: 2,792 | **Volumes:** 51

Pune
Values: 3,468 | **Volumes:** 62
Top sector: Start-up
Values: 351 | **Volumes:** 37
Leading: E-commerce
Values: 992 | **Volumes:** 7

Chennai
Values: 931 | **Volumes:** 68
Top sector: Start-up
Values: 446 | **Volumes:** 42
Leading: E-commerce, Pharma, healthcare and biotech
Values: 277 | **Volumes:** 10

Indore
Values: 50 | **Volumes:** 9
Top sector: Start-up
Values: 7 | **Volumes:** 6

Coimbatore
Values: 153 | **Volumes:** 6
Top sector: Start-up
Values: 3 | **Volumes:** 5

Top sector and leading sector based on deal volumes.

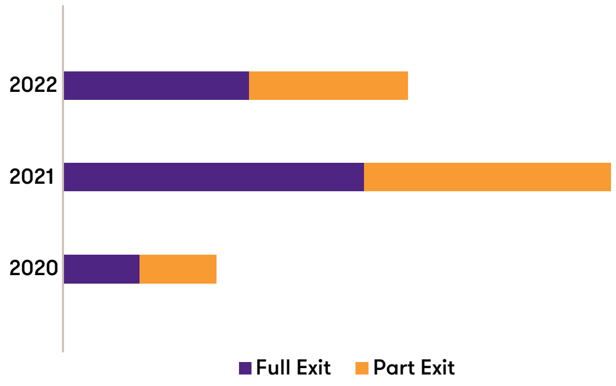
Values in USD mn

PE exits stalled by a cooling IPO market

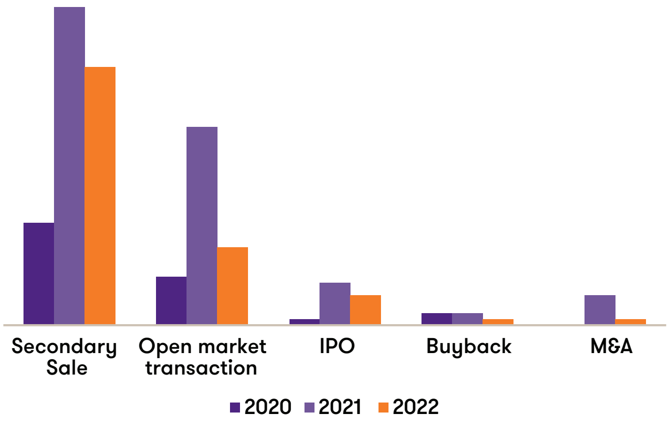
PE exit activity in 2022 slowed down significantly due to a bearish sentiment in private and public markets. The decline can also be attributed to the slowing pace of funding activity witnessed in H2 2022.

The decline in exits was across all deal segments, with strategic exits recording the sharpest fall, followed by secondary and IPO exits.

PE exit trend

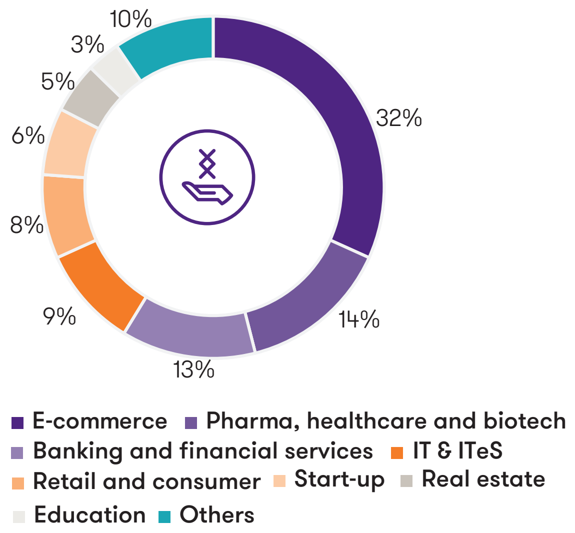


PE exit route

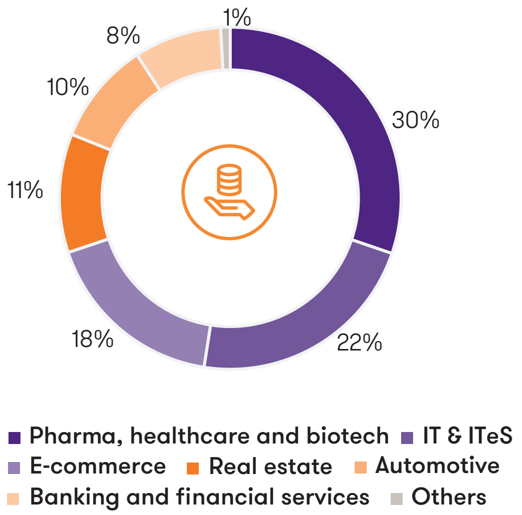


Sector exit

Sector exit by volumes



Sector exit by values



Notable PE exits

Investor exited	**Investee company**	**Part/Full exit**	**Sector**
KKR	Max Healthcare Institute Ltd.	Full exit	Pharma, healthcare and biotech
AION Capital Partners	IGT Solutions Pvt. Ltd	Full exit	IT & ITeS
Blackstone Group Lp	Sona BLW Precision Forgings Ltd	Part exit	Automotive
Bain Capital	Axis Bank Ltd	Part exit	Banking and financial services
Carlyle Group, Brighton Park Capital and the Nadathur Family Office	Indegene	Part exit	Pharma, healthcare and biotech
Baring Private Equity (PE) Asia	Coforge Ltd	Part exit	IT & ITeS
Blackstone Group Lp	Embassy Office Parks real estate investment trust	Part exit	Real estate
Blackstone Group Lp	Mindspace Business Parks REIT	Full exit	Real estate
Softbank	One97 Communications Ltd-Paytm	Part exit	E-commerce
Alipay Singapore Pte Ltd-Alibaba	Zomato Ltd	Part exit	E-commerce
SoftBank	PB Fintech Pvt. Ltd-Policybazaar	Part exit	E-commerce

Update on the fund industry in India

The AIF industry has grown many times over the last few years. Nurtured by SEBI in 2012, AIFs have now become the key to providing long-term, high-risk capital to several ventures ranging from pre-revenue stage companies to early and later stage companies to growth companies that wish to scale their operations.

The total number of AIFs has increased fivefold over the last six years (i.e. from nearly 280 AIFs in December 2016 to 1031 AIFs in December 2022). Further, the total capital commitments received by AIFs from investors have increased from INR 65 thousand crore as on September 2016 to INR 6.94 lakh crore as on June 2022.

In addition to the AIFs registered with SEBI, an ecosystem of funds in India's maiden IFSC at Gujarat International Finance Tech-City is taking shape after the IFSCA introduced the IFSCA (Fund Management) Regulations, 2022 (FM Regulations). Under the FM Regulations, in addition to AIFs, Fund Management Entity (FME) is allowed to cater to other pooling and fund management activities (i.e. managing mutual funds, ETFs, REITs, InvIT, portfolio managers, family offices, special situation funds) under a single registration. FME can be registered under three categories depending on the activity proposed to be undertaken. The number of registered fund managers in IFSC has increased after the notification of the FM Regulations and promotes the Government of India's initiative of 'Onshoring the Offshore'.

With regard to funds and FME setup in IFSC, a host of benefits have been extended by the tax and regulatory authorities such as the non-applicability of investment diversification norms, permitting to undertake leverage, permitting co-investments through SPV or segregated portfolios by issuing separate class of units, exemptions to non-resident investors from obtaining PAN and filing tax returns, and exemption on gains arising on transfer of prescribed securities by the specified fund.

Recent updates / amendments impacting the fund industry

1. The requirement of having an India connection for overseas entities where AIF proposes to make outbound investment has been done away with
2. Guidelines have been issued by SEBI with regards to the timeline for declaration of the first close, manner of calculation of tenure, and process for change of sponsor/manager or change in control of sponsor/manager
3. SEBI vide its order in relation to the extension of tenure of VCF beyond the term mentioned in the Private Placement Memorandum (PPM) stated that once the period of maturity has been fixed in the PPM, it is not open for the trustee or the investment manager to extend the same even with the consent of the investors. This may have a potential impact on the AIFs seeking extension beyond the permissible tenure owing to their inability to liquidate the investments
4. All AIFs are now required to ensure that the manager of the AIF designates an employee or director as a compliance officer responsible for monitoring compliance with the SEBI provisions
5. Schemes of AIFs which have adopted priority in distribution among investors should not accept any fresh commitment or make an investment in a new investee company till a view is taken by SEBI
6. SEBI has issued a circular laying down checks to be undertaken while onboarding foreign investors in an AIF which inter-alia includes such foreign investor (a) to be a resident of the country whose securities market regulator is a signatory to the IOSCO's Multilateral MOU (Appendix A Signatory) or a signatory to the bilateral MOU with SEBI and (b) investor or its underlying investors contributing 25% or more in the corpus of investor is not the person mentioned in Sanctions List notified by UNSC and is not a resident in the country identified in the public statement of FATF
7. IFSCA had set up a committee to draft a legal framework for allowing the VCC structure to operate in IFSCs in India basis their analysis of the prevailing VCC structures in different international jurisdictions. The committee has proposed a legal framework for the VCC regime in IFSC
8. The RBI has revamped the framework (regulations, rules, and directions) for overseas investments made by a person resident in India including overseas investments in funds and FME set-up in IFSC. As per the novel framework, a person resident in India may make a contribution to an investment fund or vehicle set up in an IFSC as Overseas Portfolio Investment (OPI). The revamped overseas investment framework has opened several avenues for outbound investments

The aforesaid amendments are an indication of GoI's twin intention of promoting the growth of the fund industry while maintaining appropriate regulatory oversight. Some of the amendments are a resolution of the long-standing asks from the industry. These amendments will act as a catalyst for investment activities with more capital flowing to various sectors. Some amendments have added to the compliance and disclosures by the funds with the intention to grant benefits and safeguard investor interest. The proposed VCC regime coupled with the extant FME Regulations in IFSCs would make India one of the preferred jurisdictions for fund management activities.

The industry is looking toward the forthcoming Union Budget for the fulfilment of certain unfinished asks such as clarity to put to rest litigations on GST on carried interest, the distinct tax regime for category III AIFs, exemption from withholding tax on payments made to FME claiming tax benefits, and clarification under the Act in line with the deemed categorisation of funds under FME regulations, which shall go a long way to add to the growth story of the fund industry in India.

Amit Kedia
Chartered Accountant, Mumbai

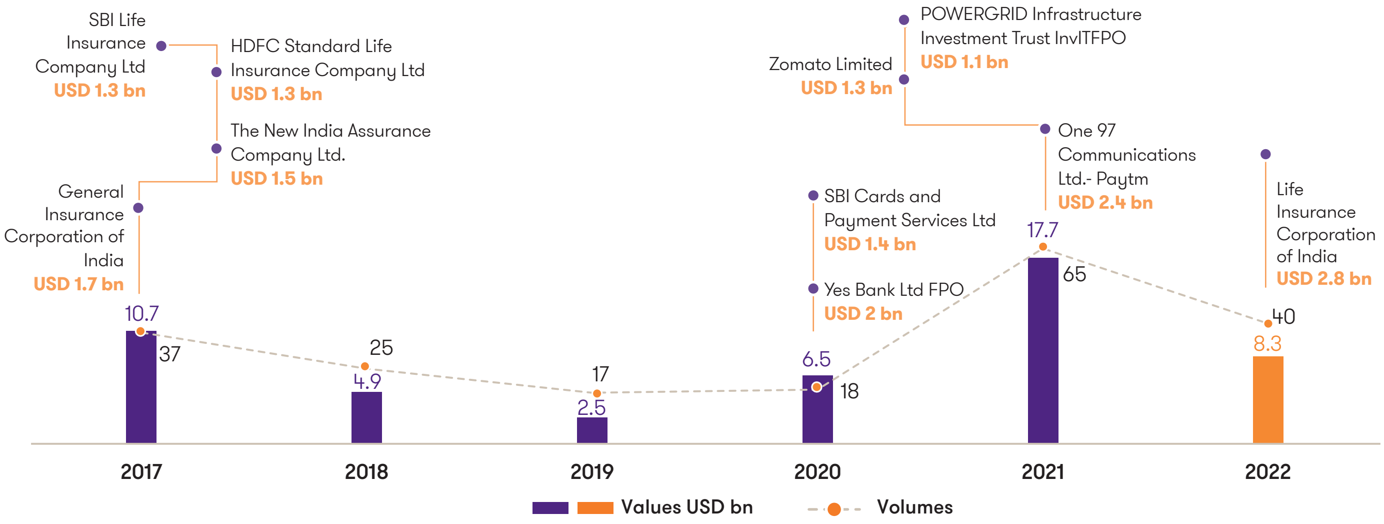
03 IPO and QIP trends

2022 saw the second-highest number of IPO listings in the last 11 years, after the 2021 high

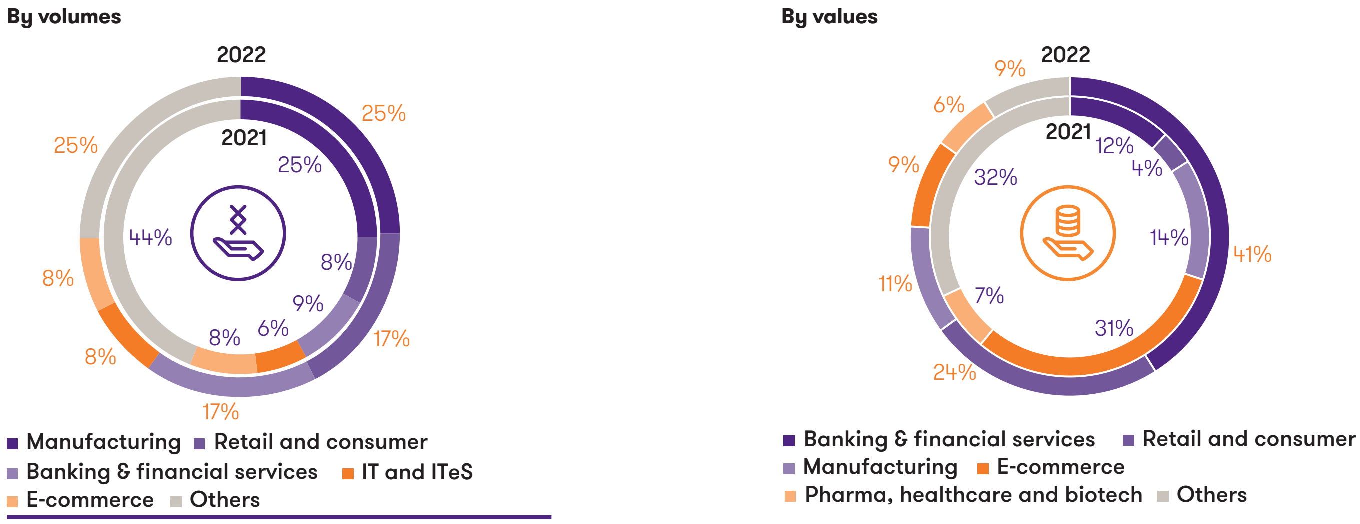
IPO snapshot

The year witnessed 40 IPO listings raising USD 8.3 billion which is a 38% decrease in volumes and a 53% decrease in values. The drop would have been difficult to predict at the start of the year given 2021 was a good year for IPOs. However, IPO activity slowed down amidst market volatility triggered by geopolitical tensions and discounted listing prices. Investors remained jittery throughout 2022 on account of recessionary fears and rising interest rates, especially in the first half of the year.

Traditional sectors like manufacturing, real estate, and banking were more active this year than the new-age sectors. Start-ups, IT, and e-commerce sectors opted to raise private equity and turn profitable before going public. 2022 saw the biggest IPO in terms of the issue size - the LIC IPO which accounted for 33% of total values.



IPO sector focus

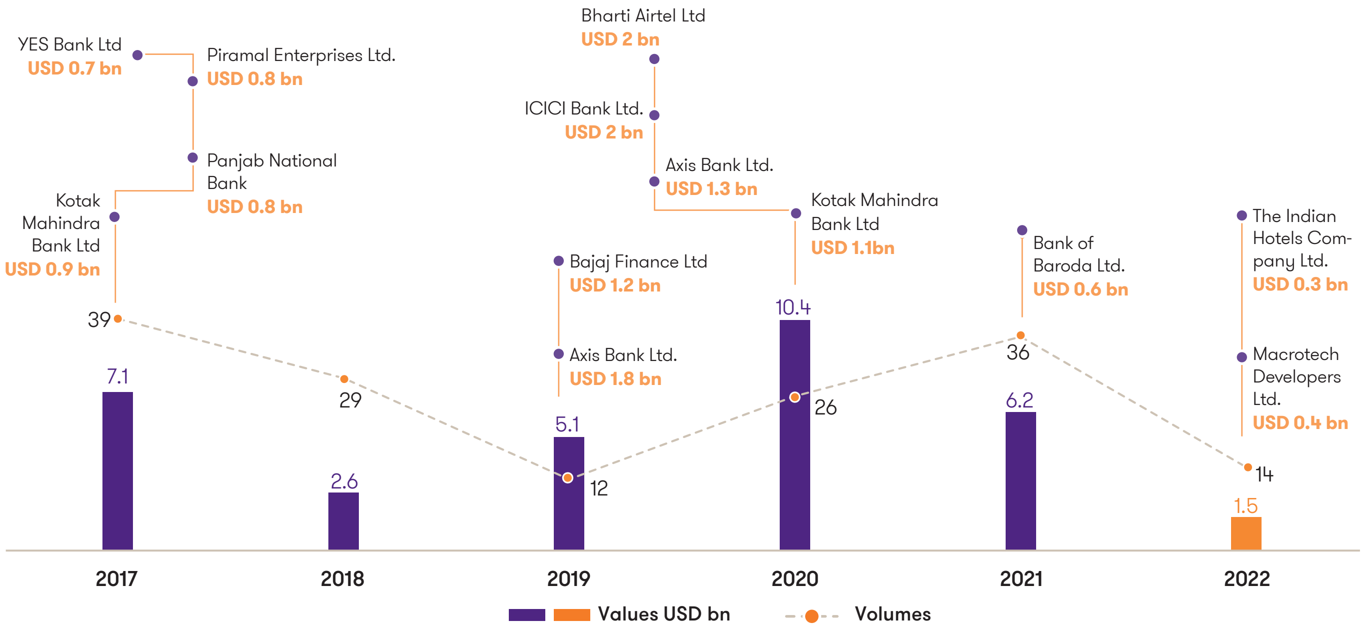


2022 saw 14 QIP issues, raising USD 1.5 billion

QIP snapshot

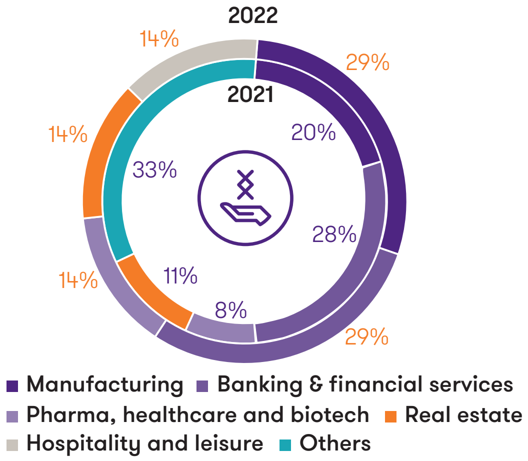
Qualified Institutional Placements (QIP) lost lustre as volatility kept sentiments weak. Equity fund-raising through QIP route dropped to USD 1.5 billion in 2022, a 76% decline in values compared to last year. 2022 will be the second year since 2012 when Indian companies refrained from raising funds through the QIP route, which has been a popular route. Volatility and global headwinds saw companies adopt a wait and watch attitude.

Banking and financial services and manufacturing led the volumes in the QIP segment.

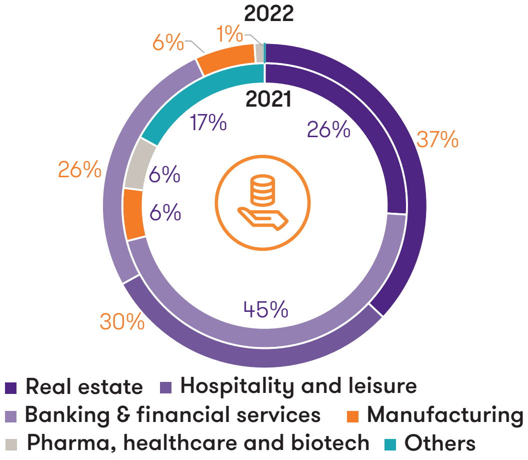


QIP sector focus

By volumes



By values



04 Sector spotlight

- Sector trends
- Start-up
- E-commerce and retail and consumer
- IT & ITeS
- Pharma, healthcare and biotech
- Banking and financial services
- Other sectors

Sector trends

2022 was dominated by big-ticket transactions from the BSFI and IT sectors. While start-ups and e-commerce dominated the volumes with a 67% share, BSFI and IT accounted for 52% of total values. Many sectors such as manufacturing, pharma and healthcare and infrastructure showed an increase in values, whereas sectors which boomed in the COVID-19 period like education declined.

Sector by volumes

	2020	2021	2022
Start-up	684	1,205	1,123
E-commerce	96	225	222
IT & ITeS	97	141	149
Retail and consumer	54	84	75
Pharma, healthcare and biotech	62	87	65
Education	39	71	59
Banking and financial services	45	57	45
Media and entertainment	23	44	40
Manufacturing	40	44	35
Automotive	29	11	32
Hospitality and leisure	10	31	28
Energy and natural resources	29	34	27
Professional / Business services	20	16	27
Agriculture and forestry	10	8	20
Aerospace and defense	2	11	15
Transport and logistics	15	15	14
Real estate	12	15	13
Infrastructure management	14	13	11
Telecom	21	11	5
Aviation	-	2	2

Sector by values

	2020	2021	2022
Banking and financial services	3,045	11,190	45,073
IT & ITeS	3,483	9,650	21,386
Manufacturing	4,744	3,520	12,456
Start-up	5,807	12,029	8,441
E-commerce	4,488	17,626	8,321
Energy and natural resources	6,565	8,537	6,456
Pharma, healthcare and biotech	3,441	3,697	6,140
Media and entertainment	478	2,737	3,216
Infrastructure management	2,793	759	2,953
Education	1,325	6,416	2,862
Transport and logistics	2,428	2,155	2,843
Retail and consumer	7,454	2,046	2,587
Automotive	951	106	1,230
Agriculture and forestry	698	244	922
Telecom	20,663	1,615	779
Hospitality and leisure	89	445	394
Real estate	5,076	796	394
Professional / Business services	209	103	196
Aerospace and defense	11	41	141
Aviation	0	2,470	42

Top sectors based on

Volumes: 2020 2021 2022

Values USD mn: 2020 2021 2022

Start-up M&As active in the ongoing funding winter

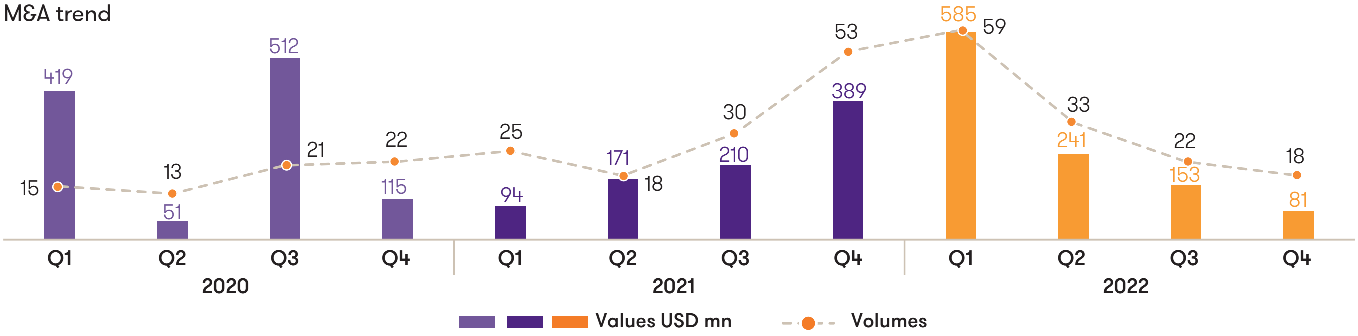
M&A deal trends

2022 witnessed increased M&A activity in start-ups. While the volumes were slightly higher, a 23% increase in values shows the presence of big-ticket transactions in this space. There was a 28% increase in domestic transaction value in the backdrop of the consolidation trend and funding winter; whereas we saw a 24% decrease in the inbound M&A deals due to recessionary trends in global markets.

As many start-ups are bracing for down rounds next year, they have revamped their cost structures by opting for retrenchments to improve the cash runway. The funding winter could push many of the smaller start-ups to merge with their larger peers as they may find it harder to raise equity on their favourable terms. Owing to this, M&A activity in 2023 could see more consolidation in the short term.

Top deal	**USD 350 mn** Zomato - Uber Eats	**USD 75 mn** Tata Digital - Curefit	**USD 200 mn** Jio Platform - Glance Digital
Average deal size USD mn	15	7	7
No. of deals >USD 50 mn	4	3	3

M&A trend



Top M&A deals

Data analytics, big data and AI

USD 200 mn

Jio Platforms Ltd -Glance Digital Experience Pvt. Ltd.-

Fintech

USD 70 mn

Pine Labs Pvt. Ltd-BrokenTusk Technologies Pvt. Ltd-Setu-100%

Edtech

USD 50 mn

InterviewBit Software Services Pvt. Ltd.-Scaler Academy-AAIC Technologies Pvt. ltd-Applied Roots -100%

Edtech

USD 38 mn

upGrad Education Pvt Ltd.-Harappa Education Pvt. Ltd-100%

Autotech

USD 32 mn

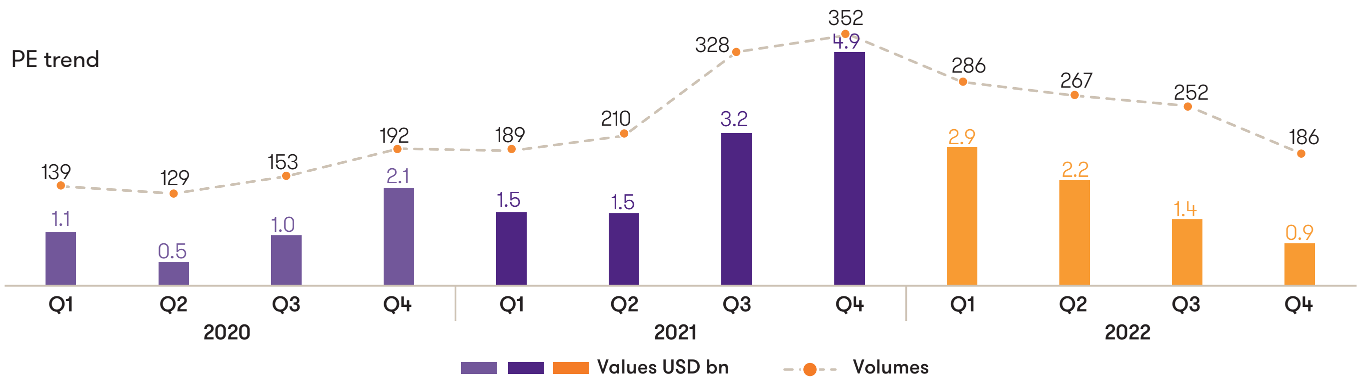
Tube Investments of India Ltd.-TI Clean Mobility-Infraprime Logistics Technologies Pvt. Ltd-65%

PE deal trends

The Indian start-up ecosystem recorded 991 deals worth USD 7.4 billion. While Covid-19 opened up opportunities for PE/VC investment in 2021, 2022 witnessed a gradual drop in investments in the backdrop of global downturn. PE/VC firms pivoted to a cautious approach amid a funding crunch which has resulted in a 34% decline in deal values and an 8% decline in deal volumes when compared to the last year. The average investment size also dropped from over USD 10 million in 2021 to USD 7 million in 2022 owing to significant drop in the late-stage funding.

Top deal	**USD 700 mn** PhonePe	**USD 1,014 mn** Tata Passenger Electric Mobility	**USD 200 mn** Zetwerk
Average deal size USD mn	7	10	10
No. of deals >USD 100 mn	8	25	7

PE trend



Top PE deals

Retail	**Autotech**	**Travel, transport & logistics**	**Retail**	**Fintech**
USD 210 mn	USD 200 mn	USD 200 mn	USD 165 mn	USD 137 mn
Consortium of investors-Zetwerk Pvt. Ltd	Tekne Private Ventures, Alpine Opportunity Fund, Edelweiss and others -Ola Electric Mobility Pvt. Ltd.	Consortium of investors -KiranaKart Technologies Pvt. Ltd.-Zepto	Dragoneer Investments Group, Kora Capital, Unilever Ventures, Tiger Global and Alpha Wave Global-Merabo Labs Pvt. Ltd-DealShare.in	Insight Partners, B Capital Group, Dragoneer and existing investors-Credavenue Pvt. Ltd.

Start-up funding

Funding rounds in last 3 years

6 | USD 115 mn
Infifresh Foods Pvt. Ltd
Captain Fresh

5 | USD 245 mn
Neblio Technologies Pvt. Ltd
CoinDCX

5 | USD 157 mn
Bunch Microtechnologies Pvt. Ltd
Classplus

5 | USD 137 mn
EpiFi Technologies Pvt. Ltd
Fi Money

5 | USD 121 mn
Teachmint Technologies Pvt. Ltd
Teachmint

5 | USD 88 mn
Tech4Billion Media Pvt. Ltd
Chingari

5 | USD 78 mn
Euler Motors Pvt. Ltd
Euler Motors

5 | USD 21 mn
Nutritionalab Pvt. Ltd
Wellbeing Nutrition

5 | USD 14 mn
Expertrons Pvt. Ltd
Expertrons

5 | USD 14 mn
Copiosus Tech Pvt. Ltd
SaveIN

5 | USD 14 mn
Aesthetic Nutrition Pvt. Ltd
Power Gummies

5 | USD 11 mn
Gamerji e-Sports Pvt. Ltd
Gamerji

5 | USD 10 mn
Smoot Tag Technologies Pvt. Ltd
KIKO TV

5 | USD 10 mn
Qans Consumer Products Pvt. Ltd
Tagz Foods

Start-ups that raised over USD 300 mn in last 3 years

1 | USD 1,014 mn
Tata Passenger Electric Mobility Ltd
Tata Electric

1 | USD 700 mn
PhonePe Internet Pvt. Ltd
PhonePe

4 | USD 628 mn
Resilient Innovations Pvt. Ltd
BharatPe

4 | USD 627 mn
Dreamplug Technologies Pvt. Ltd
Cred

4 | USD 501 mn
Zetwerk Pvt. Ltd
Zetwerk

4 | USD 455 mn
Ola Electric Mobility Pvt. Ltd
Ola Electric

4 | USD 375 mn
Merabo Labs Pvt. Ltd
DealShare.in

4 | USD 367 mn
Billionbrains Garage Ventures Pvt. Ltd
Groww

4 | USD 361 mn
KiranaKart Technologies Pvt. Ltd
Zepto

4 | USD 338 mn
Galactus Funware Technology Pvt. Ltd
Mobile Premier League

2 | USD 315 mn
Acko General Insurance Ltd
Acko

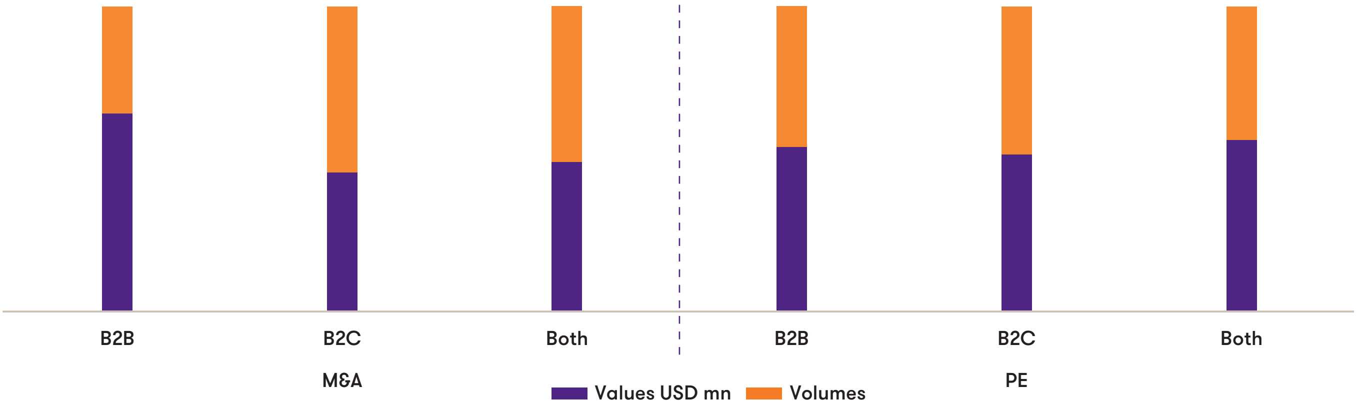
3 | USD 302 mn
Go Digit Infoworks Services Pvt. Ltd
Digit Insurance

3 | $ 300 mn
Bitcipher Labs LLP
CoinSwitch Kuber

Funding round	Funds raised
2022	**2022**

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

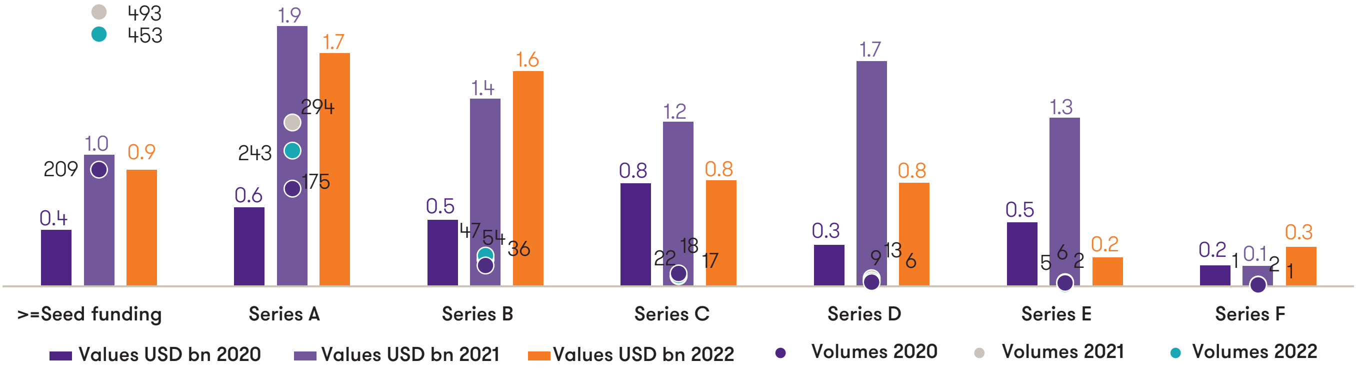
Start-ups in the B2C segment dominated both in terms of volumes by 52% and values by 49% in both M&A and PE segments combined recording 586 deals valued at USD 4.2 billion. Consumer retail and retail banking (fintech) segments led the B2C segment deals followed by edtech and healthtech deals. B2B segment on the other hand saw 469 deals valued at USD 3.7 billion. This segment witnessed start-ups majorly operating in the enterprise application (SaaS) and fintech segment. Year-on-year Software-as-a-Service (SaaS) products have been on the rise and year 2022 was no different and saw a two-fold growth in the number of SaaS transactions compared to last year. From logistics to healthcare to manufacturing, companies are using SaaS for communications, project management, sales and marketing and a host of other things.



Funding series summary

2022 saw a lot of start-ups raising early-stage funding across various sectors. Due to weak fundamentals and low ROIs, investors have opted for a very conservative approach which has resulted in a decline in the average ticket size compared to last year. We also saw a decline in seed and series A funding round, resulting in big companies taking over start-ups that could not raise funds to improve their platforms and build on their technology. After the edtech wave investors are now interested in investing in SaaS, agri-tech, and gaming segments. India saw its largest series A SaaS funding by Keka Technologies raising USD 57 million in November of this year. Large series A funding rounds have also been witnessed in Indian logistics start-up (Wiz Freight - USD 37 million) and space technology (Pixxel - USD 25 million).

Funding by series



Cities in focus

Bengaluru, Mumbai, Gurgaon, and Delhi continued to dominate the start-up ecosystem, both in terms of emerging start-ups as well as raising funds; moreover, 75% of total deals in India came from these four cities amounting to a total of USD 5.8 billion. While tier 1 cities, such as Chennai, Hyderabad and Pune, continued to dominate the start-up space, tier 2 cities, including Ahmedabad, Jaipur, Kolkata, Surat, Coimbatore and Indore, attracted PE investments worth USD 359 million.

Most tier 1 cities led the volumes in the fintech, retail and enterprise application (Saas) segments while also showing an increased interest in gaming, agritech and healthtech.

2022 witnessed start-up focused deals across India including Guwahati, Bhopal, Calicut, Alwar. Hariswar, Panchkula and Rajgarh among other cities.

Unicorns corner

2022 saw the birth of 20 unicorns which is a 38% drop since last year.

Start-up sub-sector classification

M&A

Retail	8	25	29
	38	192	121
Enterprise applications and infrastructure	6	11	21
	24	44	97
Edtech	12	13	18
	397	49	167
Fintech	5	26	15
	20	144	213
Autotech	2	2	8
	10	70	59
Travel, transport and logistics	4	2	6
	365	10	28
Healthtech	4	8	5
	90	190	25
HR-tech	5	1	5
	55	5	16
Real estate tech	3	6	5
	16	17	53
Agritech		3	4
		15	16
Foodtech	2	6	3
	6	30	15
Data analytics, big data and AI	2	3	2
	5	15	202
Discovery platform	3	2	2
	12	10	10
Gaming	3	5	2
	7	21	10
Networking platform		3	2
		15	10
On-demand services	4	4	2
	16	12	10
Others	5	2	3
	25	10	8
Mediatech	3	4	
	11	15	

Volumes	2020	2021	2022
Values USD mn	2020	2021	2022

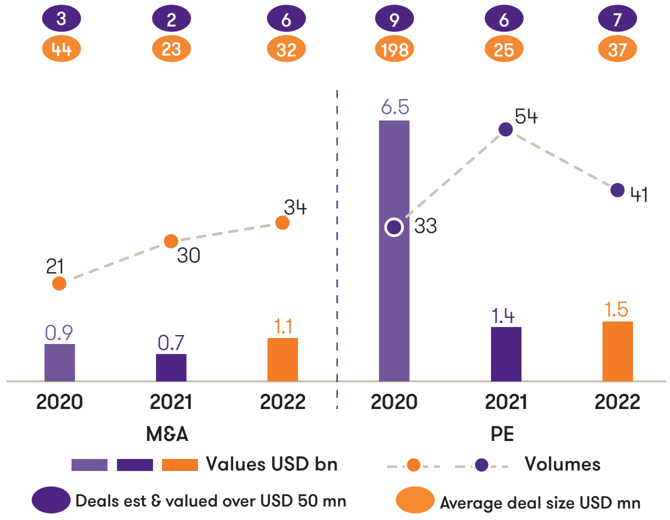
PE

Retail	73	159	194
	334	1,376	1,148
Fintech	102	199	172
	1,695	4,675	2,281
Enterprise applications and infrastructure	54	113	129
	200	403	838
Healthtech	45	86	74
	260	632	496
Edtech	67	121	64
	455	506	395
Travel, transport and logistics	36	53	43
	258	474	592
Agritech	28	39	39
	103	182	230
Discovery platform	21	25	29
	58	82	84
Mediatech	24	26	29
	62	105	241
Autotech	17	38	26
	253	1,398	352
Real estate tech	13	14	24
	100	131	100
Foodtech	21	14	22
	157	58	145
Gaming	19	31	22
	149	434	180
HR-tech	14	24	22
	41	221	29
On-demand services	22	35	16
	236	117	27
Cleantech		3	13
		11	29
Data analytics, big data and AI	22	16	9
	186	53	21
Networking platform	7	21	9
	85	122	9
Others	28	62	55
	77	187	183

Evolving consumer preferences are driving the deals

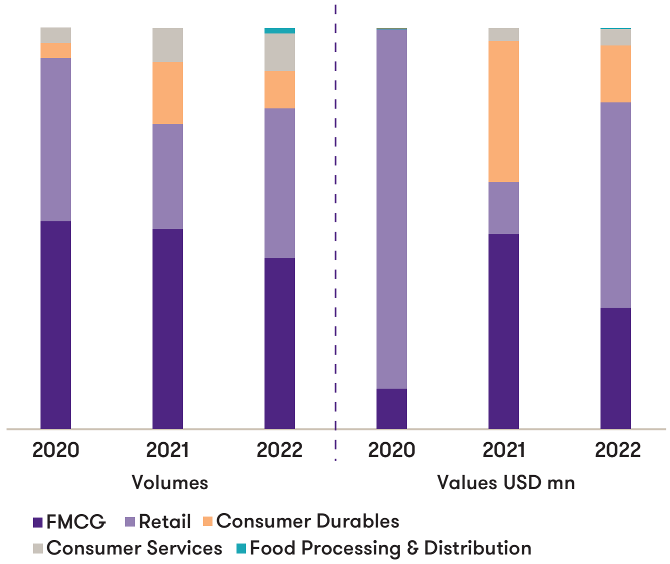
Year-on-year deal trend

Retail and consumer



Sub sector classification

Retail and consumer



Top deals

M&A

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

Retail
USD 348 mn
Reliance Industries - METRO Cash & Carry - 100%

Consumer Durables
USD 186 mn
Crompton Greaves Consumer Electricals Ltd-Butterfly Gandhimathi Appliances Ltd. - 55%

FMCG
USD 108 mn
Inbrew Beverages Pvt. Ltd.-United Spirits Ltd - 32 brands - 100%

FMCG
USD 74 mn
Dabur India Ltd. - Badshah Masala Pvt. Ltd - 51%

FMCG
USD 70 mn
Kirin Holdings - B9 Beverages Pvt. Ltd- Bira 91 - 10%

PE

The top five deals accounted for **66%** of the total sector deal values

Retail
USD 512 mn
Amazon.com Inc and Samara Capital - More retail Pvt Ltd. - 100%

Retail
USD 289 mn
GIC-Aditya Birla Fashion and Retail Ltd. - 7.5%

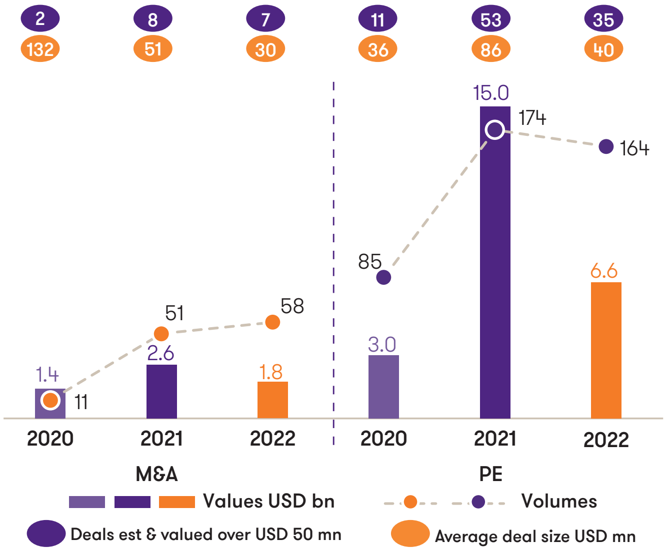
FMCG
USD 68 mn
NewQuest Capital Partner and Premji Invest - iD Fresh Food (India) Pvt. Ltd

Consumer Services
USD 65 mn
Consortium of investors - Service Lee Technologies Pvt. Ltd - Servify

Consumer Durables
USD 60 mn
Warburg Pincus and Malabar Investments - Imagine Marketing Ltd. - BoAt

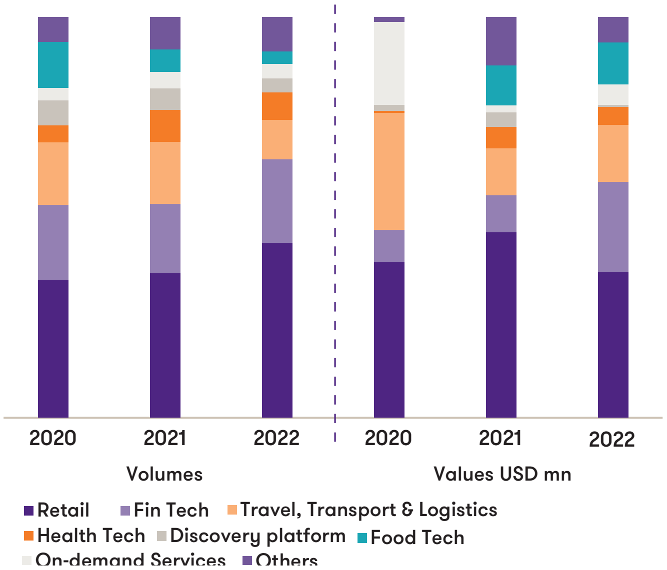
Year-on-year deal trend

E-commerce



Sub sector classification

E-commerce



Top deals

M&A

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

Retail

USD 585 mn

Zomato Media Pvt. Ltd - Blink Commerce Pvt. Ltd - 100%

On-demand services

USD 200 mn

Reliance Retail Ventures Ltd - Dunzo Digital Pvt. Ltd - 26%

Travel, Transport & Logistics

USD 200 mn

BigFoot Retail Solutions Pvt. Ltd- Shiprocket - Pickrr Technologies Pvt. Ltd

Retail

USD 200 mn

Tata Digital Pvt. Ltd. - Innovative Retail Concepts Pvt. Ltd - BigBasket.com

Retail

USD 127 mn

Reliance Retail Ventures Ltd - Purple Panda Fashion Pvt. Ltd - Clovia.com - 89%

PE

The top five deals accounted for **28%** of the total sector values

Food Tech

USD 700 mn

Consortium of investors - Bundl Technologies Pvt. Ltd - Swiggy.com

Travel, Transport & Logistics

USD 300 mn

Blackstone Growth, TPG Growth, ChrysCapital, Investcorp and Norwest Venture Partners - BusyBees Logistics Solutions Pvt. Ltd - Xpressbees

Travel, Transport & Logistics

USD 300 mn

SoftBank, Goldman Sachs and Prosus Ventures - NTex Transportation Services Pvt. Ltd.- ElasticRun

Consumer Services

USD 270 mn

Consortium of investors - EQX Internet Capital Advisors Pvt. Ltd- Stashfin

Consumer Durables

USD 264 mn

Tencent Cloud Europe BV - Flipkart Online Services Pvt. Ltd - 0.7%

Grant Thornton insights

Investments in the consumer and retail sector were a bit subdued in 2022 as compared to 2021. The last few quarters have been tough for the sector because of the increased cost of raw materials and inflationary pressures in the economy which has led to minimal volume growth for the industry. However, the segment is poised to grow significantly in the mid to long term.

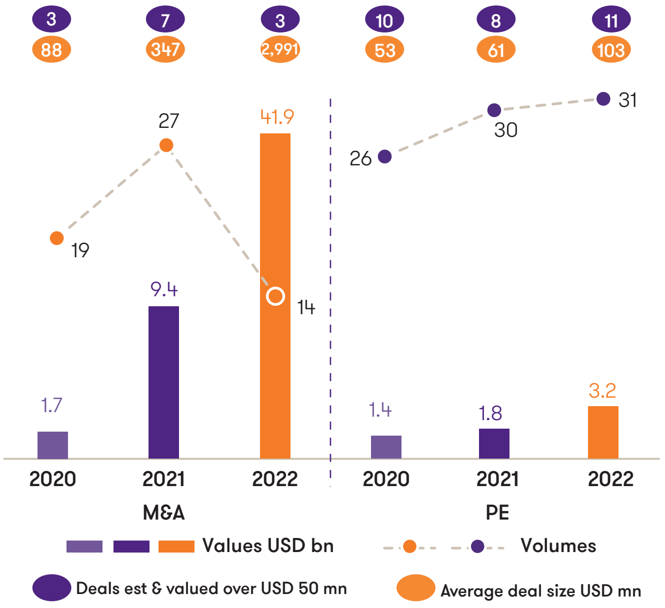
Post-pandemic there is a significant change in the way consumers behave as they no longer differentiate between online and offline channels. Robust developments within the e-commerce space and better internet connectivity have resulted in the introduction of several revenue streams, which is building investor confidence. Quick commerce is also strengthening in the domestic market, with big players focused on micro markets and local collaborations. Rural markets will see more robust growth due to a good agriculture season.

Naveen Malpani
Partner and National Sector Leader, Retail & Consumer, E-commerce
Grant Thornton Bharat LLP

BFSI megadeals create history, fintech continues momentum

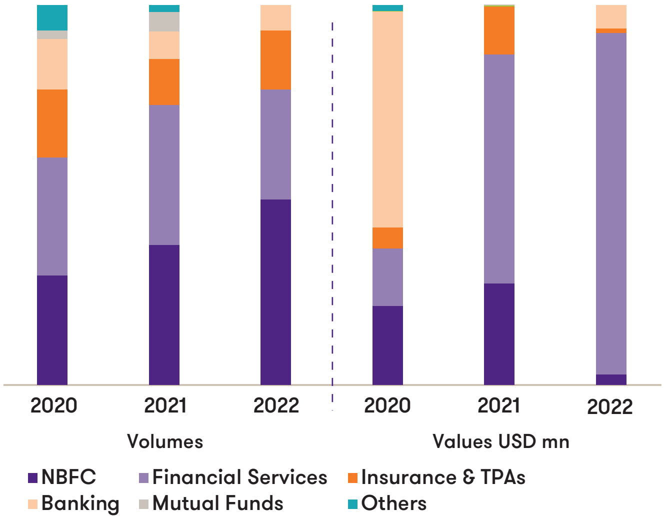
Year-on-year deal trend

Banking and financial services



Sub sector classification

Banking and financial services



Top deals

M&A

The top five deals accounted for **99.9%** of the total sector values

Financial Services

USD 40,000 mn

HDFC Bank Ltd - HDFC Ltd - 100%

Banking

USD 1,643 mn

Axis Bank Ltd - Citicorp Finance (India) Ltd.- Indian consumer businesses - 100%

Insurance & TPAs

USD 167 mn

Generali Participations Netherlands N. V. - Future Generali India Life Insurance Company Ltd. and Future Generali India Insurance Company Ltd. - 25%

Insurance & TPAs

USD 11 mn

Tech Mahindra Ltd - Surance Ltd - 25%

NBFC

USD 10 mn

Mufin Finance Ltd. - APM Finvest Ltd. - 100%

PE

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

Banking

USD 1,100 mn

Carlyle Group Inc and Advent International - Yes Bank Ltd - 20%

NBFC

USD 486 mn

Bain Capital - IIFL Wealth Management Ltd - 25%

Financial Services

USD 476 mn

TPG Capital Asia - Poonawalla Housing Finance Ltd. - 100%

Insurance & TPAs

USD 243 mn

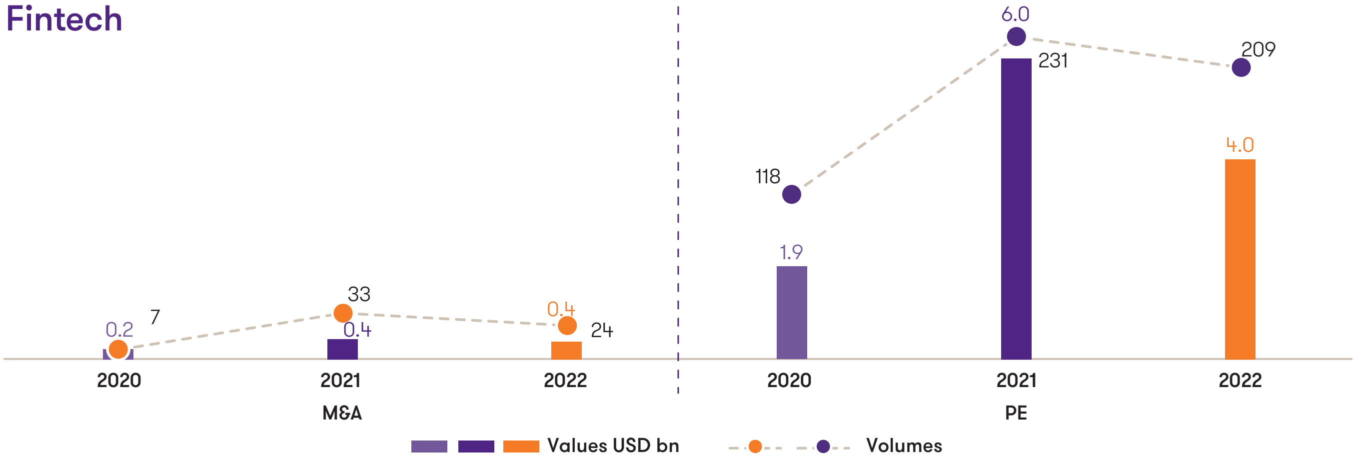
KKR - Shriram General Insurance Company Ltd. - 10%

NBFC

USD 125 mn

Apollo Management - Hero FinCorp Ltd

Fintech



Insights

Public goods in the form of India stack has enabled the financial inclusion story in India in a cost-effective manner and the biggest beneficiaries of this after the Indian consumers are the NBFCs. Private equity investments in the NBFC space continue to hold the largest share within the financial services sector, both in terms of deal value and volume. The PE investors seem to have adopted a more top-down approach to investments in India with a more focused exposure on the NBFCs.

The M&A activity in India is witnessed more in the insurance market, with deal volumes being the highest across various sub-sectors within financial services. The insurance sector is poised for growth and the liberalisation that one is seeing and may continue to expect to see is a theme that is reflected in the M&A investor sentiments as well.

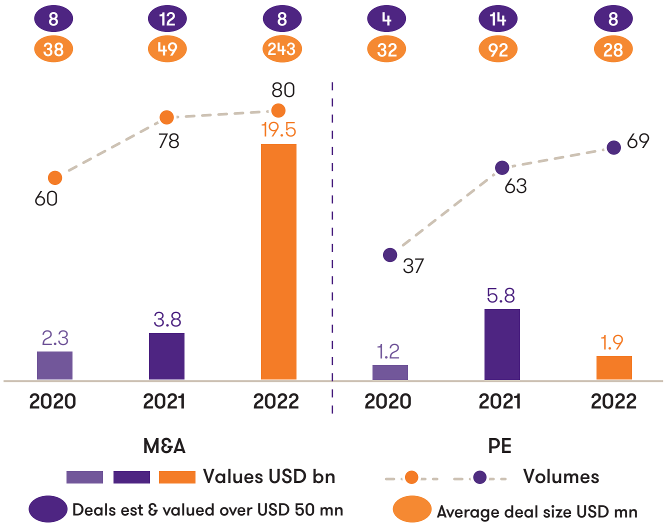
The year 2023 is a year that is going to be impacted by high-interest rates, higher inflation, slowing globalisation, increased protectionism, and a new geo-political order with the traditional advanced economies not being at the centre stage. Over the years, the fintech industry has been able to convert gaps within the financial services industry into business opportunities and the same trend could continue with better momentum. The Indian story will continue to be strong with a growth rate of about 5% and the insurance and the NBFC space will continue to see a lot more funds inflow, especially where technology is the key delivery model for such insurance and NBFC companies. The Indian ecosystem may not experience a funding winter, but we do see a more measured approach to investing, and hence we may see reduced deal volumes but very high deal values.

Khushroo Panthaky
Chartered Accountant, Mumbai

Acceleration of digitisation continues to be the key theme

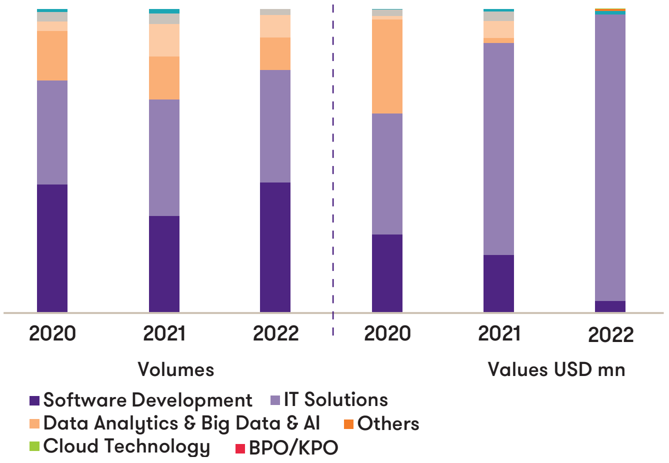
Year-on-year deal trend

Digitalisation



Sub sector classification

Digitalisation



Top deals

M&A

The top five deals accounted for **97%** of the total sector values

IT Solutions
USD 17,690 mn
Larsen & Toubro Infotech Ltd - Mindtree Ltd - 100%

IT Solutions
USD 540 mn
Wipro Ltd - Rizing Intermediate Holdings, Inc - 100%

IT Solutions
USD 350mn
Tech Mahindra Ltd - Com Tec Co IT Ltd - 100%

Others
USD 106 mn
Cyient Ltd - Citec Group Oy Ab - 100&

Software Development
USD 100 mn
Netcore Cloud Pvt. Ltd- Unbxd Inc

PE

The top five deals accounted for **65%** of the total sector values

IT Solutions
USD 800 mn
Baring PE Asia - IGT Solutions Pvt. Ltd - 85%

Software Development
USD 153 mn
WestBridge Capital and existing investors - MarketXpander Services Pvt. Ltd - Leadsquared

IT Solutions
USD 150 mn
Alpha Wave Global - Pine Labs Pvt. Ltd

Data Analytics & Big Data & AI
USD 77 mn
Consortium of investors - MoEngage India Pvt. Ltd

Software Development
USD 72 mn
Consortium of investors - Darwinbox Digital Solutions Pvt. Ltd

Grant Thornton insights

The deal activity in the technology sector continued to be robust in 2022 and contributed 17% of overall M&A and PE deal value. However, we have been witnessing some cooling-off in the deal activity from Q3/22 driven by global macro headwinds, tightening in funding, and moderation in valuations. However, there continues to be available dry power for high-quality digital and tech assets, and this augurs well for deal-making for 2023.

The Indian technology sector has been witnessing robust growth rates on the back of digital disruption and massive market opportunities for tech players. While we witnessed a record level of deal activity in the tech sector during 2021, we have seen overall moderated macro trends in deal activity from Q3 2022 on the back of global uncertainties, moderation in PE and VC funding, and pressure on earnings and valuations. The M&A market is adjusting and working out what is the new normal in terms of both activity levels as well as valuation metrics.

It is well noted that public market valuations have fallen significantly since January 2021, particularly high-growth technology assets. We can see these reflected in the prevailing market prices of some of the tech IPOs that were launched in 2021.

Private-market valuations by comparison have remained more resilient, but we can see they have started to show the first signs of slightly easing back.

Interesting trends to watch out for

Increased opportunities for bolt-ons for larger tech players

We have seen mid-sized companies get impacted by valuations as well as potential listing opportunities. Given that investors are likely to opt for less risky assets, this could create opportunities for bolt-on acquisitions for larger companies. We have already witnessed M&A momentum for larger players. This trend is expected to continue, albeit with more choosy, high-quality, niche assets.

SAAS and new-age sectors' deal-making expected to increase

As India continues to grow its SaaS player base, we expect deal-making and enhanced funding in this segment to build Indian SaaS companies on a global scale. Further, new-age sectors like fintech, agritech, and spacetech are expected to see good funding in the coming year.

Available dry powder for M&A and PE deals

Private equity funds, both bulge-bracket and mid-sized funds, have significant dry powder waiting to be deployed for technology deals across the spectrum of sectors such as tech services, engineering services, analytics and AI, especially for a buy-out and significant minority deals. As valuations continue to be under pressure and cool off the impact of listings, this makes a good opportunity for M&A and PE deal-making.

A positive outlook for high-quality businesses in tech

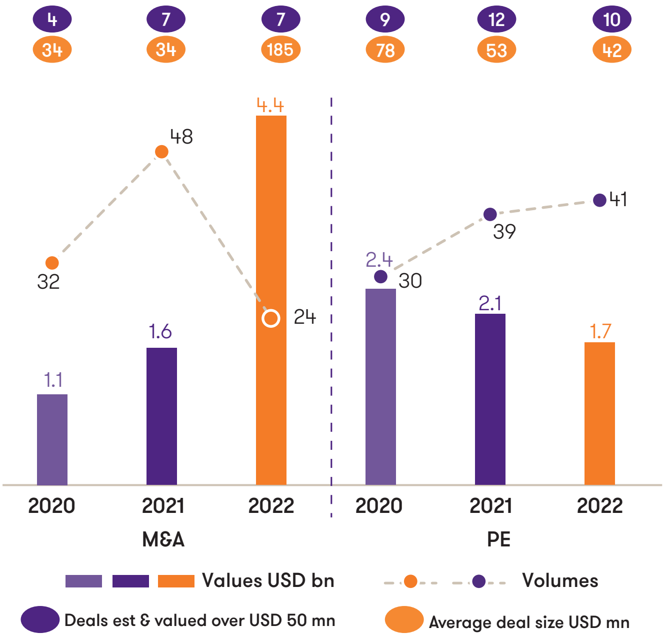
The technology sector remains well placed for deal-making in the coming year, and we believe that this will continue to lead deal-making in M&A as well as PE/VC deals. As global corporations would have to fight rising inflation, cost pressures, and global outsourcing, the growth for Indian tech players is expected to be robust, which in turn will lead to bolt-on acquisitions by the larger players.

Raja Lahiri
Partner and National Sector Leader, TMT
Grant Thornton Bharat LLP

Biotech firms drive M&A, API and healthcare drive PE

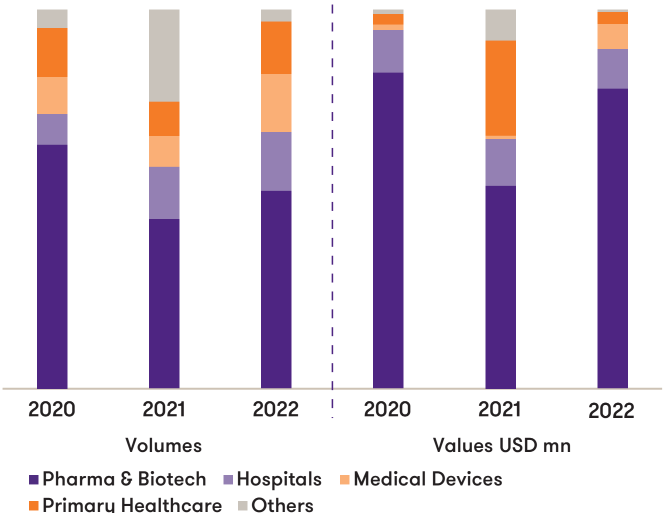
Year-on-year deal trend

Pharma, healthcare and biotech



Sub sector classification

Pharma, healthcare and biotech



Top deals

M&A

The top five deals accounted for **91%** of the total sector values

Pharma & Biotech

USD 3,340 mn

Biocon Ltd - Viatris Inc. - 100%

Pharma & Biotech

USD 250 mn

Torrent Pharmaceuticals Ltd - Curatio Healthcare (I) Pvt Ltd - 100%

Pharma & Biotech

USD 228 mn

Mankind Pharma Ltd - Panacea Biotec Ltd. - 100%

Pharma & Biotech

USD 122 mn

Gland Pharma Ltd - Cenexi Group- CDMO - 100%

Pharma & Biotech

USD 86 mn

Eris Lifesciences Ltd - Oaknet Healthcare Pvt. Ltd - 100%

PE

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

Pharma & Biotech

USD 263 mn

PAG, CX Partners and Samara Capital - Optimus Drugs Pvt. Ltd - 74%

Medical Devices

USD 210 mn

Warburg Pincus - Micro Life Sciences Pvt. Ltd. - Meril Group

Hospitals

USD 188 mn

General Atlantic, Kedaara Capital and Foundation Holdings - ASG Hospital Pvt. Ltd

Hospitals

USD 170 mn

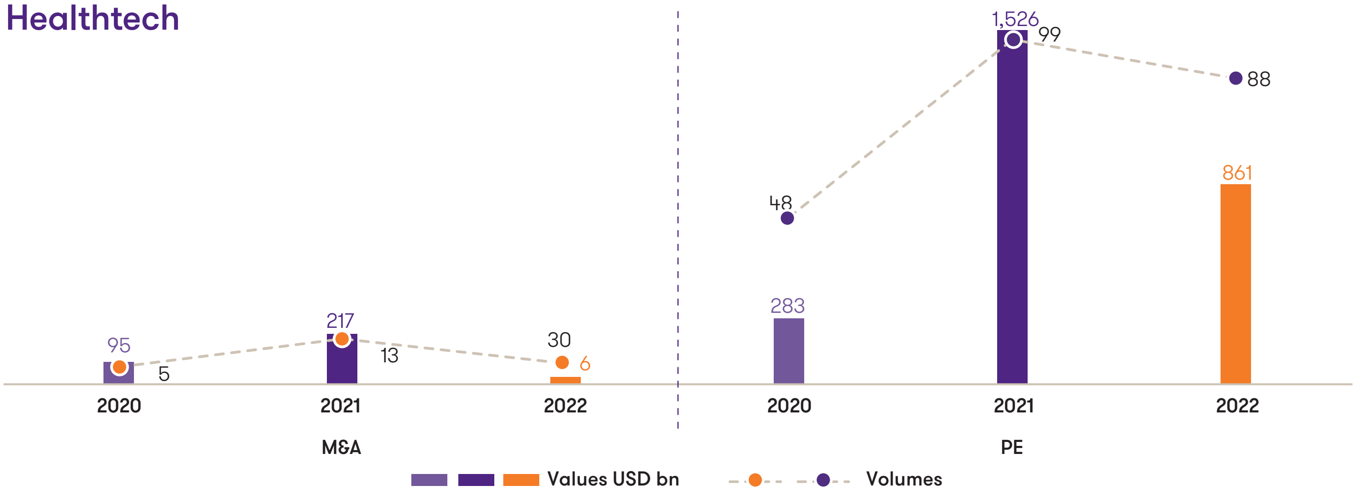
GIC - Asia Healthcare Holdings

Hospitals

USD 138 mn

TPG Growth and Temasek - Dr. Agarwal's Healthcare Ltd

Healthtech



Grant Thornton insights

Lifesciences

Deal activities in the Life Sciences sector continued during 2022, led by M&A in pharma and biotech. PEs exercised some caution against a challenging macro environment, inflationary concerns, and rising interest rates.

India is the third largest pharma producer in the world by volume and 14th largest by value. As the country with the largest number of US FDA-approved manufacturing facilities outside of the US, there is a trend to leverage our manufacturing prowess to ramp up the capacity for servicing the world and also realign the strategy to move up the value chain. Indian players have also been active in acquiring brands and plants as some MNCs sold their assets. Outbound deals witnessed a threefold increase over the previous year. This is in line with the post-pandemic global trend of strengthening core offerings, diversifying the supply chain, and expanding to new markets. Further, price erosion in the US market has also fueled the interest in domestic and regional markets.

While there were limited transactions in the API segment, we expect it to gain momentum as the China-Plus-One strategy plays out. With multiple patent expiries coming up in the biologics space, biosimilars may also witness deals during the year. Further, the sector will benefit from positive investor sentiments once the US market improves, supply chains become better and macro-economic factors ease out.

Healthcare

On the healthcare front, while there was limited activity on the M&A front, PEs exhibited confidence in the sector growth story. Single specialty hospitals emerged as the major beneficiaries, led by multiple funds such as Kedaara Capital, General Atlantic, TPG Growth, and GIC, among others. Baring the big-ticket investments in Pharmeasy in 2021, PE investments in healthtech were at par during the year with significant interest in digital health, e-pharmacies, and online marketplaces.

Demographic factors such as an increase in lifestyle diseases, an aging population, and improved access to healthcare coupled with the Government's focus on universal health coverage and leveraging technology in the endeavour make it an attractive investment proposition in the long-term. Moreover, the opportunities in the diagnostics market, growing awareness about preventive healthcare, and focus on wellness will continue to pike investor interest in these sub-sectors.

In line with our comments in the previous edition, we remain bullish and expect the lifesciences and healthcare sectors to continue to see investments. There may be muted deal activity as we enter 2023 and we expect valuations to be soft in the medium term.

Bhanu Prakash
Partner and National Sector Leader,
Healthcare and Lifesciences
Grant Thornton Bharat LLP

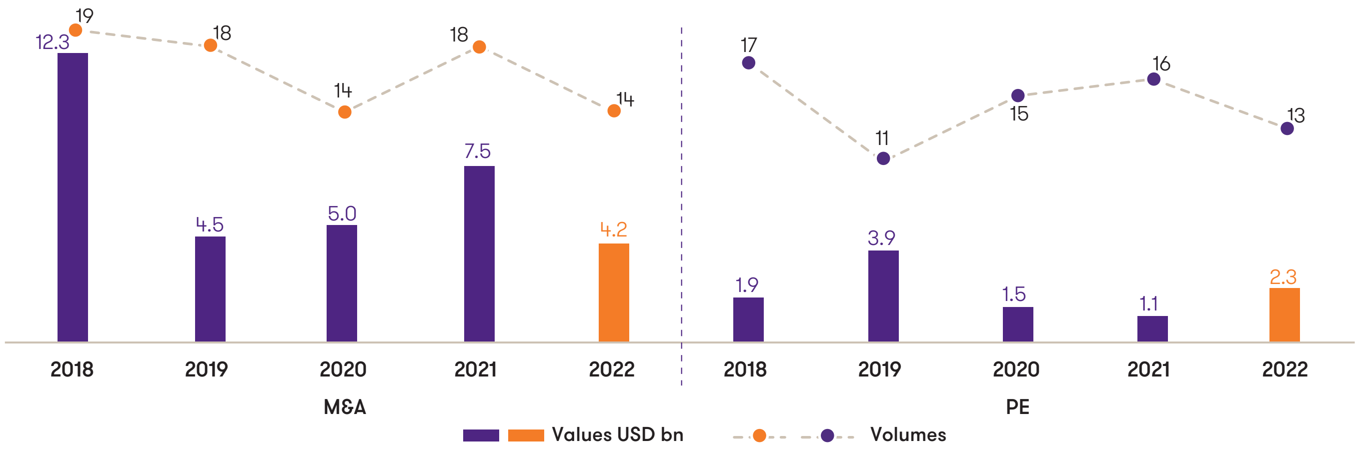
Sectors with notable deals

Green Energy is the new buzz

The energy and natural resources sector recorded 27 deals valued at USD 6.5 billion driven by two major transactions, Sprng Energy-Solenergi Power's fundraise of USD 1.6 billion followed by JSW Neo Energy acquiring Mytrah Energy's 1.75 GW of renewable portfolio for USD 1.3 billion. These two deals alone accounted for 44% of sector values.

Cleantech segment led the deal volumes, accounting for about 59% of sector deals followed by power generation segment with 30%. While cleantech deals dominated the PE activity, power generation segment attracted M&A transactions.

Energy and Natural Resources

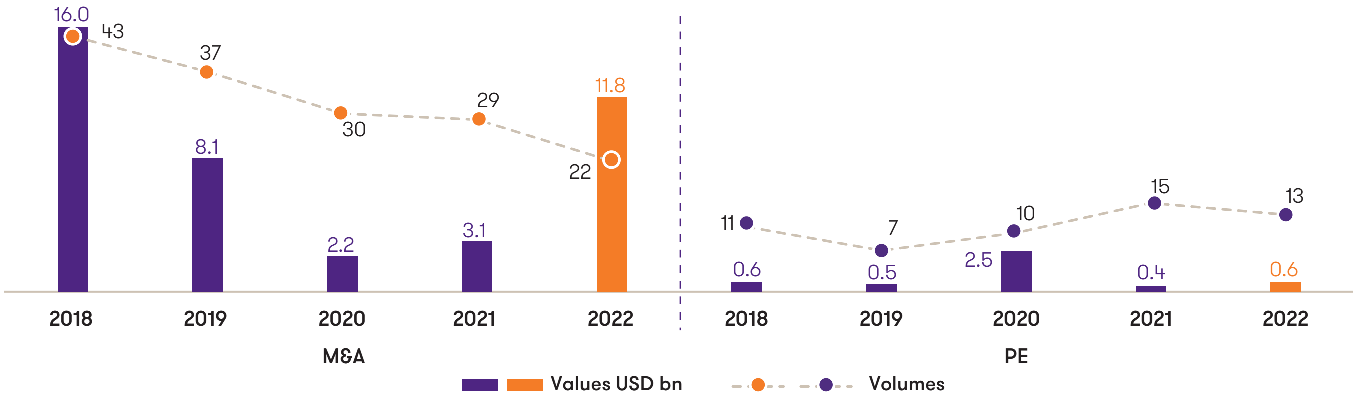


Industrials witnessed largest deal

Manufacturing sector recorded 35 deals valued at USD 12.5 billion. This was 20% lower in volumes over 2021 while sector values witnessed a significant jump with over three-fold increase. The values were driven by India's largest-ever acquisition in the infrastructure and materials space, Adani's acquisition of Ambuja Cement for USD 10.5 billion from Holcim Ltd. This deal alone accounted for 84% of total sector values for the year. However, barring this deal the sector values saw a 44% decline over 2021.

The industrial materials segment within the sector dominated this year's sector activity with 69% of deals valued at USD 12.3 billion. Electronic manufacturing remained the second active segment within the sector.

Manufacturing

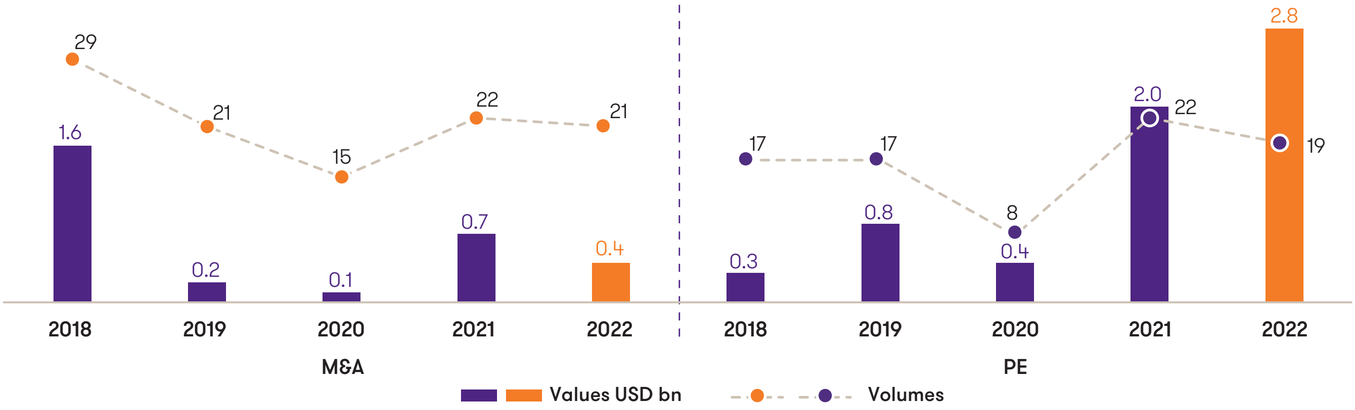


Entertainment remains active, media gains traction

Media and entertainment sector recorded 40 deals valuing over USD 3.2 billion in 2022. While the volumes witnessed a 9% decline, values saw an 18% increase over 2021. Sector values were driven by two big-ticket deals, Viacom18's fundraise from Bodhi Tree Systems of USD 1.8 billion, followed by Ver Se Innovation's USD 0.8 billion fundraise by a consortium of investors. These two top deals alone were responsible for 80% of the sector deal values.

Entertainment and advertisement and marketing segments dominated the sector deal activity with over 68% of the sector deals together valued at USD 2.3 billion. Digital media platforms also remained active, recording 9 deals worth USD 0.9 billion during the year.

Media and entertainment



03

Regulatory updates

- Tax and regulatory reforms
- GST reforms
- Updates on Companies Act 2013

Tax and regulatory reforms

The strong economic growth in Q1 of FY2022-23 helped India overtake the UK to become the fifth-largest economy after it recovered from repeated waves of the COVID-19 pandemic. The real GDP in Q1 of 2022–23 is about 4% higher than in the corresponding quarter of 2019-20, indicating a strong start for India's economic recovery.

The country's robust growth is captured by a number of high-frequency indicators that are performing well. The government's flagship program, Make in India, which aspires to facilitate investment, foster innovation, enhance skill development, and build best-in-class manufacturing infrastructure, completed eight years in September 2022.

As per Finance Ministry statistics, the direct tax collections as on 30 November 2022 were INR 8.77 trillion, which is 24% higher than the corresponding period of the preceding FY2021-22. This represents approximately 62% of the full-year budget estimates. The monthly gross GST revenue collection has also surpassed INR 1.4 trillion every month in FY2022-23.

Some of the key regulatory announcements announced in the last eight months are summarised here:

Foreign Direct Investment Policy

- FY 2021-22 recorded the highest-ever FDI at USD 83.6 billion. This FDI came from 101 countries and invested across 31 UTs and states and 57 sectors in the country.
- On the back of economic reforms and ease of doing business, India is expected to attract USD 100 billion FDI in FY 2022-23.
- Reforms in FDI policy have been introduced allowing up to 20% FDI in LIC through the automatic route.
- The space-tech industry has pitched for allowing 74% FDI under the automatic route. The government is likely to revisit the Space Activity Bill and introduce at least three policies (Space Communication Policy, Remote Sensing Policy, and Transfer of Technology Policy).

Overseas direct investment

- In August 2022, with the intention of increasing the overall competitiveness of Indian companies to access global markets and facilitate acquisitions, new ODI regulations were announced allowing greater flexibility for Indian companies investing overseas and reducing the burden of getting approvals.
- ODI- FDI structures (colloquially referred to as round tripping) have now been permitted for corporates with up to two layers of subsidiaries.
- Deferred payment of consideration has been permitted subject to the condition that the period of deferment is agreed upon upfront in the underlying agreements.
- Gifting of overseas shares between residents (only relatives) is permissible without any limit. A gift from a non-resident to a resident is permitted subject to compliance with the Foreign Contribution Regulation Act provisions.

Investment promotion

- The government has set aside INR 2 trillion under the PLI schemes for various sectors and an additional amount of INR 0.195 trillion was allocated towards PLI for solar PV modules in FY 2022-23.
- So far, PLI schemes have been announced for 14 sectors including automobile and auto components, electronics and IT hardware, telecom, pharmaceuticals, solar modules, metals and mining, textiles and apparel, white goods, drones, and advanced chemistry cell batteries.
- Extension of the PLI scheme to sectors such as leather, footwear, bicycle, some vaccine materials, certain telecom products, toys, chemicals, and shipping containers is currently being explored.

SEBI

- SEBI has floated a consultation paper reviewing the existing buyback regulations on 16 Nov 2022 (open for public consultation up to 1 Dec 2022). The recommendations are based on a sub-group set up by SEBI under the chairmanship of Keiki Mistry, Vice Chairman & CEO, HDFC.
- The new framework proposes to cut the time taken for completion of buybacks, enhance the amount companies can repurchase vis-à-vis their free reserves, reduce the cooling-off period between two buybacks and shift the tax incidence fully to the share-tendering shareholders rather than the companies concerned.
- A glide path has been proposed with respect to the reduction in the maximum limit and the time period for a buyback offer through the open market under the stock exchange mechanism. SEBI believes that the current buyback period of six months prevents efficient price discovery as this may result in artificial demand being created for the relevant company's shares during such an extended period of

time and trading of shares occurring at an exaggerated price. The proposed glide path is as below –

Parameters	Current threshold	Proposed thresholds w.e.f.		
		01 April 2023	01 April 2023	01 April 2023
Maximum limit	15%	10%	10%	0%
Time period for completion	6 months	66 working days	22 working days	NA

- SEBI has suggested that a separate window on the stock exchange can be created for undertaking buyback and the same can be harmonised with the proposal of the glide path.
- Currently, companies can buy back only 25% of the paid-up capital and free reserves under the tender route. SEBI has proposed to increase it to 40%. SEBI would make a reference to the Ministry of Corporate Affairs to ensure that this proposal is also reflected in Section 68 of the Companies Act, 2013 Further, SEBI has recommended that a net debt-free company should be permitted to undertake up to two buybacks in a single FY to help companies return a greater amount to shareholders in the form of buybacks
- It is proposed that in the case of buybacks through the stock exchanges, the company should use 75% of the amount earmarked for the buyback (as against the current limit of 50%).
- The incidence of taxation is proposed to be shifted from the hands of the company to the shareholder, as the current mechanism is in favour of existing shareholders and the continuing shareholders have to share the burden of tax payable by the listed company on the buyback proceeds of the shares tendered by exiting/ tendering shareholders.

Outlook for 2023

India assumed the G20 presidency w.e.f. 1 December 2022 which gives it the opportunity to set the global economic governance agenda and make it inclusive. In December 2022, the World Bank revised its FY 2022-23 GDP forecast upward to 6.9% from 6.5% (in October 2022), considering a strong out-turn in India in the second quarter (July-September) of FY 2022-23.

The report forecasts that the Indian economy will grow at a lower rate of 6.6% in FY 2023-24 because of a challenging external environment. It also states that rapid monetary policy tightening in advanced economies has resulted in large portfolio outflows and depreciation of the Indian Rupee while high global commodity prices have led to a widening of the current account deficit.

However, the report notes that policy reforms and prudent regulatory measures have played a key role in developing resilience in the economy. The report finds that while a 1 percentage point decline in growth in the USA is associated with a 0.4 percentage point decline in India's growth, the effect is around 1.5 times larger for other emerging economies.

As per OECD, macroeconomic stability should be pursued through monetary policy geared towards anchoring inflation expectations and fiscal policy oriented towards debt control and targeting current and capital spending. Improvements in the business climate, when combined with financial deepening and skills development, can boost investment and infrastructure and create more and better jobs.

The Budget session of the Parliament in 2023 is likely to be closely watched and analysed as it will set the trend for the sentiment in the following year when India will go in for a general election.

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GST reforms

Goods and Services Tax, touted as the biggest greenfield tax reform since India's Independence, reached an important milestone of half a decade this year. The government has come a long way in its 'one nation one tax' agenda by bringing millions of taxpayers under an umbrella of a unified taxation system. During the last five years, commendable efforts by the government have paved the way for a new tax structure despite initial implementation hiccups. The advanced use of digitalisation and data analytics in the contemporary tax regime has reaped manifold benefits such as transparency, effective implementation of the law, and efficient tax administration. Initiatives such as e-invoicing, e-way bill, linkage of GSTR-1/ FORM GSTR-2B with GSTR-3B, and integration of the GSTN Portal with ICEGATE have proven to be game changers. Revenue collection from GST in the current financial year has exceeded the growth seen during the pre-pandemic period. April 2022 witnessed an all-time high GST revenue collection of INR 1.68 lakh crore. In the month of November 2022, GST collection was INR 1.45 lakh crore, showing an 11% y-o-y growth in GST receipts. With this, the GST collections have surpassed the figure of INR 1.40 lakh crore for straight nine months in a row. The predominant reason for this growth is the increase in consumer spending in the post-pandemic period and an improvement in taxpayer compliance because of digital tax governance, data analytics implementation for detecting dubious transactions, and a plug in tax leakages.

E-invoice has proved to be effective in curbing tax invasions and creating a seamless ecosystem for ensuring the compliance and reporting of B2B invoices. It has provided a standard protocol for real-time communication of B2B invoice data within the tax ecosystems. Auto-population of details of B2B supplies in Form GSTR-1 has significantly contributed to achieving ease of doing business by doing away with the need to punch in data again, thereby reducing the probability of errors.

The PLI scheme has become a springboard for the PM's vision of 'Make in India' and 'AatmaNirbhar Bharat'. The government introduced PLI schemes to promote local manufacturing in 14 key sectors. It is meant to promote a robust manufacturing sector by inviting overseas companies to set up manufacturing operations in India and boosting India's exports and manufacturing capabilities for high-quality, competitive products in the global arena. The government plans on covering more sectors under the PLI scheme.

The government also hopes to curb tax leakages by making changes in the reporting structure of the returns on the GSTN Portal. While there are many benefits, filing GST tax has been a complex process for the taxpayer which demands trained professionals and robust tech-based ERPs to meet the reporting requirements. In a short span of five years, such changes have increased the compliance burden for taxpayers while possibly impacting the ease of doing business in the long run.

Outlook for 2023

GST's foundation is a 'simplified tax structure'. However, this seems like a distant dream. It has been five years since GST was introduced but taxpayers continue to face issues such as whether a transaction qualifies as supply or not, credit eligibility, credit matching, valuation of supplies, etc.

Simplicity and uniformity in law result in fewer disputes, which would benefit both the taxpayers and the tax administration. Timely clarifications by the government on taxability mechanisms in relation to new-age instruments such as blockchain, NFTs, and online gaming would help in clearing the ambiguity over GST. The government should consider introducing changes in the GST legislation to bring in greater transparency.

The other critical issues for taxpayers are the immediate constitution of the GST Appellate Tribunal to resolve taxpayer disputes and decriminalise offences by redrafting the offence provisions in the GST laws. Decriminalisation of minor non-compliance will instill confidence in both global and domestic industry players by facilitating ease of doing business and will be welcomed by the industry.

The GST tax structure has evolved over the years but complying with it has been challenging since its inceptive stage with numerous errors witnessed by genuine taxpayers. An amnesty-cum-settlement scheme should be introduced under GST to regularise past errors. Over the past five years, the majority of goods from the tax bracket of 28% have been lowered to the 12% / 18% tax bracket. However, 'rate rationalisation' is yet to be accomplished and is much awaited by the industry

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Companies Act 2013

The Ministry of Corporate Affairs (MCA) has continued its efforts to achieve the twin objectives of promotion of ease of doing business and better corporate compliance including increased transparency in reporting by amending various provisions under the Companies Act 2013 (the Act).

A Company Law Committee (CLC) was constituted by the MCA in 2019 (the tenure of which was extended to September 2023) to make recommendations for changes to be made to the Act. Some of the key recommendations made by the CLC in its latest report dated 21 March 2022 include facilitating certain class of companies to communicate with their members in only electronic form, easing the requirement of raising capital in distressed companies, creating an electronic platform for maintenance of statutory registers by companies, strengthening the function of National Financial Reporting Authority (NFRA), reviewing and strengthening the audit framework including introducing mechanisms to ensure the independence of auditors, strengthening the provisions relating to mergers and amalgamations, and modernising enforcement and adjudication activities through electronic mode. While some of the recommendations are still being evaluated by the MCA, some amendments have already been enacted.

The MCA amended the Companies (Specification of definition details) Rules, 2014 to provide a revised definition of a 'small company' under the Act effective from 15 September 2022. The criteria for this classification was revised for the second time in as many years to cover more companies, by increasing defined thresholds, to extend relaxations from the compliance burden available to such companies under the Act. As per revised thresholds, the defined threshold for small companies is a company with a paid-up share capital of INR 4 crore (earlier threshold was INR 2 crore) and a turnover not exceeding INR 40 crore (earlier threshold was INR 20 crore), respectively.

The MCA also recently amended Companies (Corporate Social Responsibility Policy) Rules, 2014 which requires that if a company has unspent money in its CSR account, it must constitute a CSR committee and comply with CSR provisions stipulated under Sections 135(2) to 135(6) of the Act. On the other hand, a revised format for reporting on CSR activities to be included in the Board's Report with respect to its ongoing CSR projects has been prescribed which considerably reduces such disclosure requirements.

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

The MCA had also amended Companies (Accounts) Rules, 2014 in 2020 which required companies using accounting software for maintaining their books of account to use only such software that allows recording of audit trail by creating an edit log, effective from 1 April 2022 (extended from the earlier effective date of 1 April 2021) which has now been extended to be effective financial year commencing on or after 1 April 2023.

Further, on 5 August 2022 MCA revised the aforementioned rules with respect to the manner of books of account to be kept in electronic mode. The amendment requires every company to ensure that its electronic records remain accessible in India at all times and the backup maintained in electronic mode, including at a place outside India, stored on servers that are physically located in India on a daily basis.

Apart from the above initiatives undertaken by the management towards enhancing investor confidence in financial reporting, it is worth mentioning that the NFRA, set up under the Act to regulate financial reporting by companies and the audit profession, has undertaken many recent initiatives. One such ongoing initiative is a first-time audit quality inspection of large audit firms in India, the report of which is expected to be released in March 2023.

On another note, with respect to foreign direct investments (FDI) in India, in April 2020, the MCA amended Companies (Prospectus and Allotment of Securities) Rules, 2014 to insert a proviso to Rule 14(1) which mandates the companies to obtain government approval under the FEMA (Non-debt Instruments) Rules, 2019 before offering any securities to a body corporate incorporated in or a national of a country that shares a land border with India.

Overall, the government and regulatory authorities have tried to improve ease of doing business by reducing compliance requirements, automating submission and processing of documents/returns, removing difficulties faced by businesses especially during the COVID-19 pandemic while at the same time promoting self-regulation for compliance with the Act and regulations, and implementing increased governance and financial reporting norms in order to enhance investor confidence.

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