

# Dealtracker

Providing M&A and PE deal insights

May 2023

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## Disclaimer

This document captures the list of deals closed and announced based on the information available in the public domain. Our analysis in the document is basis appropriate assumptions where necessary. For example, deals have been classified by sectors and by funding stage based on certain assumptions wherever necessary. If different assumptions were to be applied, the outcomes and observations would be different. Hence, the document should not be relied upon as a substitute for relevant and detailed advice. Grant Thornton Bharat LLP does not take any responsibility for the information, any errors or any decision and any loss thereof incurred by the reader as a result of relying on the document.

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

### Authors

#### **Monica Kothari**

Associate Director, Growth  
Grant Thornton Bharat

#### **Shreya Kelkar**

Consultant, Growth  
Grant Thornton Bharat

# Deal snapshot

Persistent global macro concerns centre around inflationary pressures in the US and eurozone, alongside the likelihood of prolonged higher interest rates. The global banking sector is already experiencing the impact of higher interest rates. Owing to this, the global deal-making has witnessed high levels of volatility and uncertainty, leading to a decline in deal activity.

India is also experiencing a downturn in deal activity compared to the past year. May 2023 recorded 106 transactions valued at USD 4.6 billion. This represented a significant decline of 45% in volumes and 87% in values compared to May 2022. A similar trend was witnessed in the YTD 2023 deal activity that saw a 46% decline in volumes and an 80% decline in values owing to the ongoing global headwinds and cautious investor sentiment.

The decline in deal values in May 2023 can be primarily attributed to the absence of big-ticket transactions, while May 2022 recorded four billion-dollar deals totalling USD 31.5 billion. Excluding these deals, May 2023 still saw a 13% decline in deal values.

While there has been an overall decline in deal activity compared to past years, both mergers and acquisitions (M&A) and private equity (PE) volumes have witnessed a gradual m-o-m increase since February 2023, signifying the growing potential and investment interest.

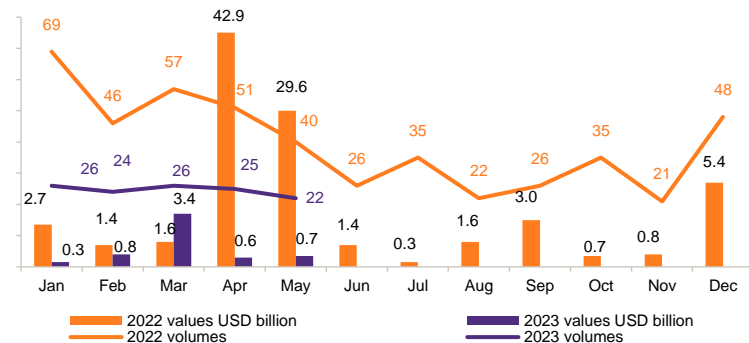
The start-up sector was at the forefront of deal activity, driving both M&A and PE/VC deal volumes. The real estate sector saw a spike in deal values, driving the PE values amounting to USD 1.4 billion with only four deals in the sector. The retail and consumer sector led the values in the M&A space valuing USD 345 million due to one big-ticket transaction, i.e., Godrej Consumer Products' acquisition of Raymond Consumer Care.

Despite the challenges, the evolving deal landscape in India offers opportunities for companies willing to adapt and strategise accordingly. In addition, the government's emphasis on regulatory reforms and initiatives to enhance the ease of doing business, combined with the country's robust fundamentals, create a strong foundation for deal-making in India.

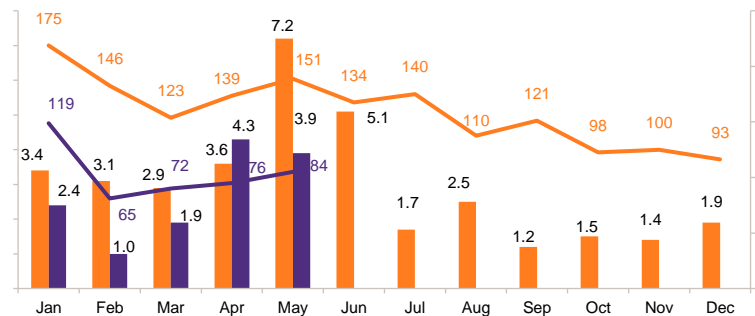
## Shanthi Vijetha

Partner, Growth  
Grant Thornton Bharat

### M&A snapshot



### PE snapshot



# Deal making in India witnesses tepid activity

## May 2023 experienced a significant decline in deal-making over May 2022

- India Inc recorded 106 deals valuing USD 4.6 billion in May 2023, a 45% decline in deal volumes and a steep 87% decline in deal values compared to May 2022 owing to the absence of big-ticket transactions. Unlike May 2022, which saw four multi-billion-dollar deals totalling USD 31.5 billion, May 2023 did not witness any such transactions.
- In May 2023, M&A deal activity experienced a significant decline, with a 45% decrease in deal volumes and a notable 98% decrease in deal values compared to May 2022, recording only 22 deals valued at USD 675 million. The decline can be primarily attributed to two billion-dollar deals recorded in May 2022, namely the L&T – Mindtree merger and Adani's controlling stake in Ambuja cement, totalling USD 28.2 billion. Barring these deals, May 2023 still recorded a 53% decline in deal values.
- Domestic activity continued to dominate the M&A activity; however, the month witnessed subdued cross-border activity owing to global macroeconomic challenges, concerns of a potential recession and uncertainty surrounding company valuations. Domestic volumes reached a three-year low with 20 deals, while cross-border activity hit its lowest monthly volumes and values to date.
- Despite a 44% decrease in investment volumes and a 45% decline in values compared to May 2022, recording 84 deals that raised USD 3.9 billion, private equity (PE) investment activity has been gradually increasing since February 2023, which recorded 65 deals.
- In comparison to April 2023, despite a 5% increase in deal volumes, deal values saw a decline of 7%.
- The month saw only one initial public offering (IPO) raising USD 390 million, compared to eight issues raising USD 4 billion, witnessed in May 2022. Qualified institutional placements (QIPs), on the other hand, saw two issues valued at USD 42.7 million, compared to none witnessed in May 2022.

## YTD 2023: Indian deal-making witnessed a decline as activity slowed down

- YTD 2023 witnessed a significant decline both in terms of deal volumes by 46% and deal values by 80%, amounting to USD 19.3 billion, owing to a global economic slowdown and investors hesitating to commit their capital in an uncertain environment. Further, the absence of big-ticket investment resulted in a significant decline in deal values. YTD 2023 witnessed only three deals in the billion-dollar category and 34 deals valued at and above USD 100 million compared to six and 60 such deals in YTD 2022, respectively.

Deal summary	Volume			Value (USD million)			
	2021	2022	2023	2021	2022	2023	
Domestic	26	29	20	1,469	18,270	665	
Cross-border	11	11	2	3,816	11,347	10	
<b>Total M&amp;A</b>	<b>37</b>	<b>40</b>	<b>↓ 45%</b> 22	<b>5,285</b>	<b>29,617</b>	<b>↓ 98%</b> 675	
PE	83	151	↓ 44%	84	2,680	↓ 45%	3,948
<b>Grand total</b>	<b>120</b>	<b>191</b>	<b>↓ 45%</b> 106	<b>7,965</b>	<b>36,858</b>	<b>↓ 87%</b> 4,623	
<b>Cross-border includes</b>							
Inbound	4	4	2	25	691	10	
Outbound	7	7	0	3,791	10,656	-	

Deal summary	Volume			Value (USD million)			
	2021	2022	2023	2021	2022	2023	
Domestic	141	197	89	9,161	62,511	4,433	
Cross-border	48	66	34	8,844	15,698	1,316	
<b>Total M&amp;A</b>	<b>189</b>	<b>263</b>	<b>↓ 53%</b> 123	<b>18,005</b>	<b>78,209</b>	<b>↓ 93%</b> 5,749	
PE	499	734	↓ 43%	416	14,987	↓ 33%	13,575
<b>Grand total</b>	<b>688</b>	<b>997</b>	<b>↓ 46%</b> 539	<b>32,992</b>	<b>98,445</b>	<b>↓ 80%</b> 19,324	
<b>Cross-border includes</b>							
Inbound	20	31	18	3,023	1,685	348	
Outbound	28	35	16	5,821	14,013	968	

# M&A

While the retail and consumer sector drove the values, the start-up sector led the volumes

## Key sectors

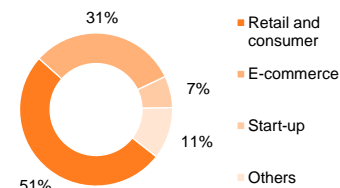
Notable sectors	Volume	USD million
Start-up	7	45
Education	5	44
IT and ITeS	4	20
E-commerce	3	211
Retail and consumer	1	345

- Driven by one deal, Godrej Consumer Products' acquisition of Raymond Consumer Care, the retail and consumer sector led the transaction values for the month. Remarkably, this single deal contributed to 51% of the total M&A values recorded for the month.
- In contrast to the previous month (April 2023), where the pharma, healthcare and biotech sector dominated the deal activity and the start-up sector witnessed only one deal, May saw a shift in momentum. The start-up sector took the lead in terms of volumes, with seven deals amounting to USD 45 million. Deals were dominated in the fintech, health tech and retail segments within the start-up sector.
- The education and IT and ITeS sectors remained active with a total of nine deals, following the start-up sector in terms of deal volumes. However, it was the e-commerce sector that led in terms of deal values, with value amounting to USD 211 million driven by activity in the online textiles, apparel and accessories segment, following the retail and consumer sector.
- While the education sector witnessed deals in school development, skill development, career development enterprise and online education platforms, deals in the IT and ITeS sector were witnessed in the software development and IT solutions space.
- The month witnessed one deal each in the financial services, fintech, coaching institute, primary healthcare and fast-moving consumer goods (FMCG) segments.

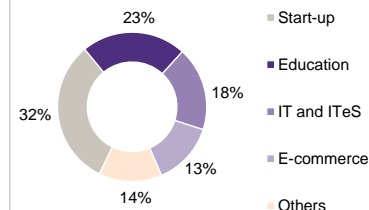
## Top M&A deals of the month

Acquirer	Target	Sector	USD million	Deal type	% stake
Godrej Consumer Products Limited	Raymond Consumer Care Limited	Retail and consumer	345	Acquisition	100%
Aditya Birla Fashion Retail Ltd	TCNS Clothing Company Ltd	E-commerce	201	Controlling stake	51%
Veranda Administrative Learning Solutions Pvt Ltd	Educare Infrastructure Services Private Limited	Education	24	Acquisition	100%
Capri Global Holdings Pvt Ltd	Crux Creative Solutions Pvt Ltd - CarLelo	Start-up	18	Controlling stake	51%
Fruveggie Tech Pvt Ltd - Pluckk	Letskookup - Kook	Start-up	1	Acquisition	100%

## Top sectors based on deal value



## Top sectors based on deal volume



# PE

While the start-up sector dominated deal activity, the real estate sector led in investment values

## Key sectors

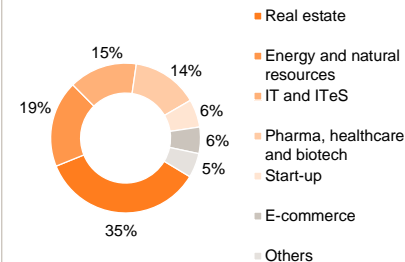
Notable sectors	Volume	USD million
Start-up	46	238
IT and ITeS	8	582
E-commerce	6	226
Pharma, healthcare and biotech	4	565
Real estate	4	1,393

- The start-up sector continued to dominate the deal activity, accounting for 55% of total PE deal volumes. In the start-up sector, enterprise application and infrastructure segments saw increased activity, followed by the fintech and retail segments, collectively contributing to 67% of the start-up sector's volumes. Notably, the month observed a significant presence of B2B start-ups, which accounted for over 52%, raising USD 96 million.
- In a notable development this month, Agilitas Sports, a company specialising in sportswear manufacturing, athleisure solutions and retail, secured the largest debut funding round for a start-up in India with USD 52 million. This signifies the growth potential and investment interest in the retail segment.
- In contrast to the previous month (April 2023), May experienced increased activity in the start-up, IT and ITeS, real estate and hospitality and leisure sectors. However, deal activity remained subdued in the retail and consumer, banking, as well as agriculture and forestry sectors.
- Driven by the purchase of two commercial properties from Brookfield Asset Management Inc by GIC and Brookfield India Real Estate Investment Trust (REIT) totalling USD 1.37 billion, the real estate sector led the investment values. This deal also stands as one of the largest real estate investments in the country. The month also recorded the highest number of monthly deals in the real estate sector since 2018.
- In a notable shift, the hospitality and leisure sector, which had remained inactive in terms of deal activity in 2023, saw a resurgence in May with three deals. Interestingly, all three deals were focused on the quick service restaurant (QSR) segment, indicating a concentrated interest in this area within the sector.

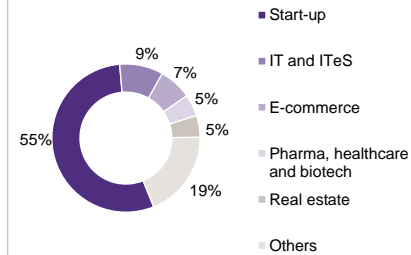
## Top PE deals of the month

Investor	Investee	Sector	USD million	% stake
GIC and Brookfield India Real Estate Investment Trust	Brookfield's Downtown Powai and Candor TechSpace	Real estate	1,369	50%
Blackstone Group	Quality CARE India Limited - Care Hospitals	Pharma, healthcare and biotech	560	70.0%
India Grid Trust	Virescent Infrastructure Investment Manager Pvt. Ltd.	Energy and natural resources	488	100%
Apax Partners	IBS Software Services Pvt Ltd	IT and ITeS	450	N.A.
Kohlberg Kravis Roberts & Co.	Serentica Renewables India Private Limited	Energy and natural resources	250	N.A.

## Top sectors based on deal value



## Top sectors based on deal volume



## Deal of the month: M&A

Godrej Consumer Products acquires Raymond Consumer Care's FMCG business for USD 345 million

### Acquirer

**Godrej Consumer Products Limited** is an Indian consumer goods company focusing on building a presence across three categories, i.e., home care, personal care and hair care. It has a presence in over 90 countries, catering to over 1.2 billion customers.

### Target

**Raymond Consumer Care Limited** includes Raymond's FMCG business, trademarks of Park Avenue, KS, KamaSutra and Premium.

### Rationale

Godrej Consumer Products Limited (GCPL) has announced the acquisition of the consumer products business of Raymond Consumer Care Limited (RCCL), a subsidiary of Bombay Stock Exchange (BSE)-listed Raymond Ltd, in an all-cash deal of USD 345 million, bolstering its portfolio of brands in the country's fast-growing retail market.

With this transaction, Godrej will get Raymond's marquee brands, such as Park Avenue (for the consumer products category), KS (deodorants), KamaSutra condoms and Premium. Park Avenue, as a clothing brand, will remain with Raymond.

RCCL will be a listed entity with a pure-play consumer-focused lifestyle business and sell the consumer products business to GCPL in a slump sale. This will enable Raymond to be debt-free and reduce the number of business lines.

Raymond's core business will now be real estate, along with its investments in engineering and denim. The deal will lead to Raymond Lifestyle - currently an unlisted entity - becoming a listed company in the next 12-14 months.

Sector: Retail and consumer

## Deal of the month: PE

Brookfield REIT and GIC co-invest in Brookfield's Downtown Powai estate and Candor TechSpace worth USD 1.37 billion

### Investor

**GIC** is a global investor established to manage Singapore's foreign reserves. It has invested in more than 40 countries worldwide. **Brookfield India Real Estate Investment Trust** is India's only 100% institutionally managed real estate investment trust. Its portfolio comprises five Grade-A office parks in campus format across strategic locations in India.

### Investee

**Brookfield's Downtown Powai estate** is a landmark mixed-use development situated in a modern township spread over 250 acres. With 15 commercial towers, it offers more than 4.4 million square feet of commercial, IT/ITeS, special economic zone (SEZ) and high-street retail offerings.

**Candor TechSpace**, managed and serviced by Brookfield Properties, has a dynamic portfolio including over 20.7 million sq. ft. office space, of which 13.87 million sq. ft. is fully operational.

### Rationale

Singapore sovereign wealth fund GIC and Brookfield India Real Estate Investment Trust (REIT) have together acquired two commercial properties from the Canadian alternative investor Brookfield Asset Management Inc. for USD 1.37 billion in an equal partnership.

The properties are Brookfield's Downtown Powai in Mumbai, which was acquired for USD 793 million, and Candor TechSpace (G1) in Gurugram, which was acquired for USD 576 million. GIC has committed the amount to Brookfield REIT for the 50% acquisition of the commercial properties, as well as for part-repayment of debt.

The transaction will increase Brookfield India REIT's operational area by over 40% and its gross asset value by 73%. Additionally, Brookfield India REIT also acquired a 100% interest in Candor TechSpace (G1) property management entity, Mountainstar India Office Parks Pvt. Ltd, for over USD 18 million.

Sector: Real estate

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