

Dealtracker

Providing M&A and PE deal insights

November 2022

Volume 18.11



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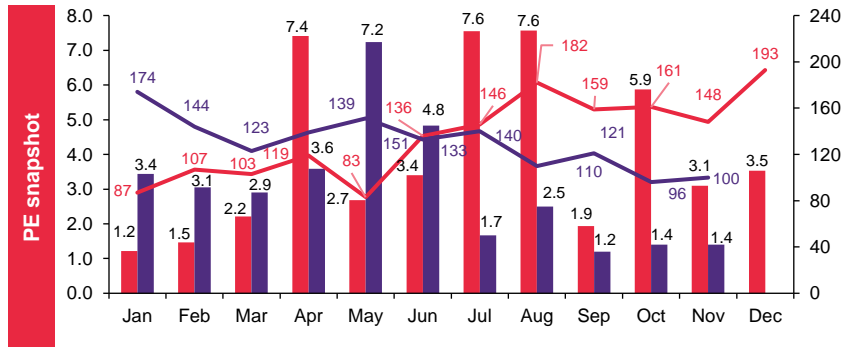
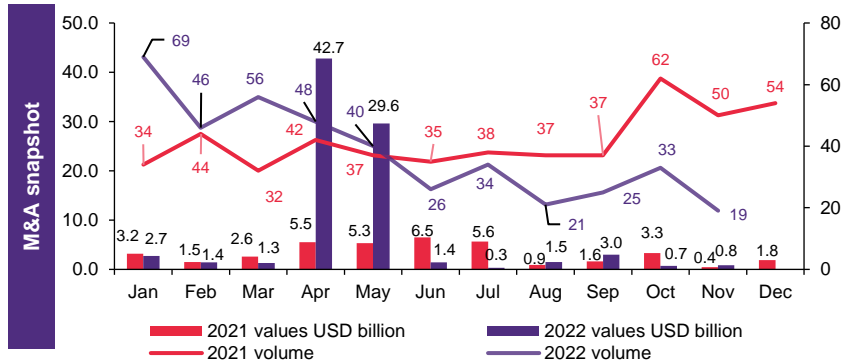
This document captures the list of deals closed and announced based on the information available in the public domain. Our analysis in the document is based on appropriate assumptions where necessary. For example, deals have been classified by sectors and by funding stage based on certain assumptions. 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. 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 company should have been incorporated for five years or less than five years as at the end of that particular year and b) The company is working towards innovation, development of new products, processes or services driven by technology or intellectual property. Deals have been classified by sectors and by funding stages based on certain assumptions, wherever necessary.

Author

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Deal snapshot



Globally, over the past six months, the global energy and food supply shocks emanating from the Russia-Ukraine war have intensified. Rising prices of energy, food, and other goods have pushed up the interest rates set by inflation-targeting central banks to levels not seen since the 2008 financial crisis.

The Indian economy has recovered to the pre-pandemic real GDP level of 2019-20. However, amid this, India Inc recorded only 119 deals worth USD 2.2 billion, given a significant drop in both the M&A and PE deal activity on the back of a cautious and conservative approach taken by strategic and financial investors, considering the prevailing global uncertainties.

The M&A activity witnessed a decline both in the terms of deal volumes and values compared to November 2021, recording only 19 deals valued USD 818 million, marking the second lowest monthly volumes till date. November 2022 witnessed a sudden growth in cross-border activity, specifically the inbound M&A, which saw the highest monthly volumes recorded since April 2022, with investors from Singapore staying active in acquiring Indian targets.

The PE activity saw USD 1.4 billion worth of investments made across 100 deals (second lowest monthly volumes), marking a decline of 55% and 32%, respectively, over November 2021. Along with the absence of big-ticket funding, the month also witnessed a lack of late and growth stage funding over November 2021 and October 2022.

While the cleantech sector drove the overall values for the month, start-ups continued to push the volumes. Notably, November 2022 witnessed a rise in IPO listings, given the muted activity since June 2022.

Shanthi Vijetha

Partner, Growth
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Tepid deal-making seen in November 2022

	Deal summary			Volume			Value (USD million)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
November 2022	Domestic	27	43	10	2,186	363	359		
	Cross-border	15	7	9	527	73	459		
	Total M&A	42	50	19 ↓ 62%	2,713	436	818	↑ 88%	
	PE	104	148	100 ↓ 32%	4,205	3,101	1,401	↓ 55%	
	Grand total	146	198	119 ↓ 40%	6,918	3,537	2,219	↓ 37%	
	Cross-border includes								
Inbound	10	3	6	473	53	436			
Outbound	5	4	3	54	20	23			

	Deal summary			Volume			Value (USD million)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
YTD 2022	Domestic	190	346	314	12,069	22,550	68,809		
	Cross-border	132	102	103	20,342	13,840	16,796		
	Total M&A	322	448	417 ↓ 7%	32,411	36,390	85,605	↑ 135%	
	PE	851	1,431	1,431	36,422	44,425	33,263	↓ 25%	
	Grand total	1,173	1,879	1,848	68,833	80,815	1,18,868	↑ 47%	
	Cross-border includes								
Inbound	61	48	54	17,454	6,442	2,604			
Outbound	71	54	49	2,888	7,398	14,192			

Downtrend witnessed for deal-making in India

- India Inc recorded 119 deals worth USD 2.2 billion in November 2022 — a 40% fall in deal volumes and a 37% decline in deal values compared to November 2021. This marked the lowest monthly deal volumes witnessed in 2022.
- When compared with October 2022, the overall deal volumes witnessed an 8% decline, while values saw a 4% increase owing to two big-ticket transactions in the M&A deal space.
- The M&A deal volumes witnessed a significant decline by 62%, while values saw an uptrend at 88% over November 2021. The values were driven by high-value deals. In line with the past, domestic deal activity dominated the M&A activity. However, cross-border activity also increased, accounting for 47% of M&A deals. Inbound transactions dominated both cross-border deal values and volumes.
- The decline in PE/VC investments was precipitated by a drop in both the value and volume of deals, especially a sharp decline in the number of big-ticket investments compared to the past year.
- Both M&A and PE values were dominated by the energy and natural resources (cleantech) sector, showing the attractiveness of the segment for both strategic and financial investors. This signifies that there is a big market and a lot of opportunities opening in this sector.
- This month saw the highest number of IPO listings in 2022, and the fourth highest in the last 11 years, which suggests that companies were waiting for the market to come up, which coincidentally aligned with the NIFTY 50 touching a lifetime high of 18,614 around the end of this month.

YTD 2022: While volumes are on par with YTD 2021, values noted a 47% increase

- The YTD 2022 deal volumes are on par with YTD 2021, which should be taken as a positive response, considering the black swan events at the start of the year. This was due to higher activity witnessed in the first six months, thereby making YTD22 much better than YTD21. On the other hand, deal values saw a 47% increase due to a couple of multi million-dollar deals executed during the year, driven by a significant 135% increase in M&A values.
- YTD 2022 recorded 32 initial public offerings (IPO) with an issue size of USD 7.6 billion, compared to 53 IPO issues raising USD 15.4 billion in YTD 2021. On the other hand, qualified institutional placement (QIP) saw 13 issues raising USD 1 billion compared to 34 issues raising USD 6.1 billion over YTD 2021. Both IPO and QIP activity continued witnessing a fall in the fund-raising activity via the respective routes over the last year.

M&A

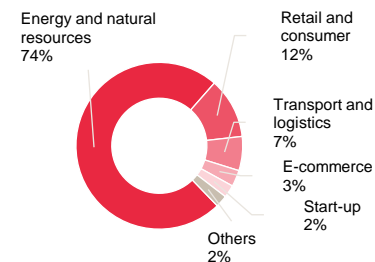
Energy and natural resources led the values while start-ups dominated the volumes

Key sectors		
Notable sectors	Volume	USD million
Start-ups	4	20
Energy and natural resources	3	602
Retail and consumer	3	96
Transport and logistics	2	54
E-commerce	2	26

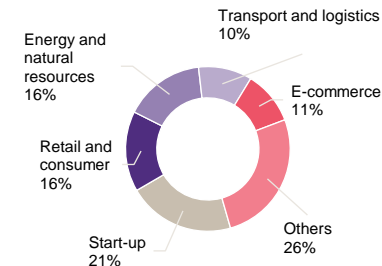
- With 21% of M&A deal volumes, the start-up sector continued to dominate the M&A deal activity.
- Driven by Sembcorp's acquisition of Vector Green Energy for USD 335 million (the biggest deal for the month) and followed by the acquisition of Atha Group's 404-megawatt solar power assets by BluePine energy, the energy and natural resources sector dominated the deal values, accounting for 74% of values. The sector witnessed three deals during the month, one each in the cleantech, solar power assets and oil & gas segments.
- The retail and consumer sector followed the energy sector both in terms of deal values and volumes, recording deals in the FMCG and food processing & distribution space.
- With the acquisition of AsiaMed Hospital, Uzbekistan, Aakash Healthcare becomes the first Indian hospital to open a fully managed hospital with an initial investment of USD 3.5 million in a foreign land.
- Aerospace and defense, automotive, hospitality and leisure, infrastructure management, manufacturing, media and entertainment, professional/business services, real estate and telecom saw muted activity during this month.

Top M&A deals of the month					
Acquirer	Target	Sector	USD million	Deal type	% stake
Sembcorp Industries Limited	Vector Green Energy Private Limited	Energy and natural resources	335	Acquisition	100%
BluePine Energy Private Limited	Atha Group - 404-megawatt solar power assets	Energy and natural resources	253	Acquisition	100%
Kirin Holdings	B9 Beverages Pvt Ltd- Bira 91	Retail and consumer	70	Minority stake	10%
Allcargo Logistics Ltd	Gati Kintetsu Express Pvt Ltd	Transport and logistics	49	Increasing stake to 100%	30%
LT Foods Limited	Daawat Foods Private Limited	Retail and consumer	21	Increasing stake to 100%	30%

Top sectors based on deal value



Top sectors based on deal volume



PE

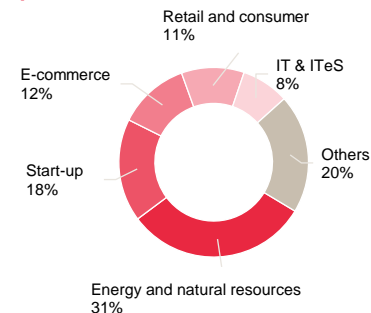
Energy and natural resources led the values while volumes were driven by the start-up sector

Key sectors		
Notable sectors	Volume	USD million
Start-ups	55	246
E-commerce	9	170
IT & ITeS	7	114
Automotive	6	43
Energy and natural resources	3	437
Retail and consumer	3	150

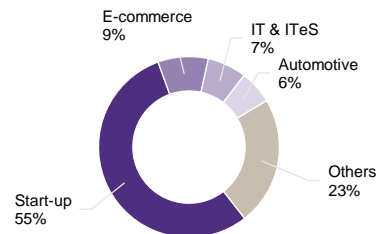
- The start-up sector continued to drive the PE deal volumes for November 2022, with a 55% share of PE volumes with investment values of USD 246 million. The retail tech segment led the investment volumes in the start-up sector with 22% deals, followed by fintech and enterprise application and infrastructure at 16% and 13%, respectively.
- The energy and natural resources sector led the values for the month on the back of one big-ticket transaction (the Serentica Renewables fund raise), making it the second largest deal done this year in this sector. This deal alone accounted for about 29% of the total PE deal values for the month.
- The month witnessed heightened activity in the auto sector, recording six deals, which were all in the EV (electric mobility) space.
- November 2022 saw India's largest Series A SaaS funding by WestBridge Capital, investing USD 57 million in Keka Technologies.
- The month saw muted activity in the real estate, agriculture and forestry sectors, although there was a diversified range of sectors that showed significant deal activity compared to last month.

Top PE deals of the month					
Investor	Investee	Sector	USD million	% stake	
Kohlberg Kravis Roberts & Co.	Serentica Renewables India Private Limited	Energy and natural resources	400	N.A.	
India Resurgence Fund	Impresario Entertainment and Hospitality Pvt Ltd - Smoke House Deli	Hospitality and leisure	66	N.A.	
Investcorp, Tybourn Capital, SeaLink Capital Partners and existing investors	Star Dental Centre Private Limited - Clove Dental	Pharma, healthcare and biotech	66	N.A.	
Temasek and A91 Partners	Bright Lifecare Pvt Ltd - Healthkart.com	E-commerce	65	N.A.	
Warburg Pincus and Malabar Investments	Imagine Marketing Limited - boAt	Retail and consumer	60	N.A.	
Bessemer Venture Partners, Susquehanna International Group (SIG) and Citi Ventures	Lentra AI Private Limited	Start-up	60	N.A.	

Top sectors based on deal value



Top sectors based on deal volume



Deal of the month: M&A

Sembcorp acquires Vector Green for USD 335 million

Sector: Energy and natural resources

Acquirer

Sembcorp Industries Limited is a leading energy and urban solutions provider. It is engaged in the development and operations of renewable power projects and allied activities. It owns and operates 727.70 MW wind-based power projects spread in 7 locations across 4 different states.

Target

Vector Green Energy Private Limited is an end-to-end energy solutions company enabling large-scale heavy energy intensive industries and sector to accelerate their clean energy transition. It has a portfolio of 742MWp of contracted capacity, 1041 MWp of investment ready renewable projects and 1,217 MWp of pipeline projects in India. Of this, currently 652 MWp is operational, spread across 19 ground-mounted utility scale projects located across 8 states, as well as 89 rooftop solar projects on 216 roofs across 7 states in the country.

Rationale

Singapore's Sembcorp Industries Ltd announced that its subsidiary Sembcorp Green Infra Ltd (SGIL) has inked an agreement with US private equity firm Global Infrastructure Partners' India Infrastructure Fund II to buy 100% stake in Vector Green Energy Private Ltd at an equity value of USD 335 million.

The transaction, on completion, will add 583 MW of renewable assets to Sembcorp's portfolio in India. The Singapore Exchange listed Sembcorp, through SGIL, has a 1.9-gigawatt (GW) wind energy capacity in India. Completion of this acquisition will bring the group's gross renewable energy capacity to 8.5 GW, closer to its 2025 target of 10 GW of gross installed renewable capacity. Sembcorp's gross renewable energy portfolio installed and under development in India will grow to 3 GW.

The acquisition will be funded through internal cash resources and external borrowings. Completion of the acquisition is subject to customary closing conditions and is expected by the first quarter of 2023. The acquisition is expected to be accretive to earnings upon completion.

Deal of the month: PE

KKR invests USD 400 million in Serentica Renewables

Sector: Energy and natural resources

Investor

Kohlberg Kravis Roberts & Co. (KKR) is a leading global investment firm. KKR invests across various alternative asset classes in companies from different industries and aims to work in partnership to grow and enhance the value of its portfolio companies. KKR provides both strategic and operational support and offers financing solutions that are tailored to the individual needs of the portfolio companies.

Investee

Serentica Renewables India Private Limited provides round-the-clock renewable energy, enabling the transition of large-scale, energy-intensive industries to clean energy. The company is focused on industrial decarbonisation by making renewables the primary source of energy for the commercial and industrial segment.

Rationale

Global private equity giant Kohlberg Kravis Roberts & Co. agreed to invest USD 400 million in Serentica Renewables — a decarbonisation platform that seeks to enable energy transition by providing clean energy solutions.

KKR makes its investment from its Asia Pacific Infrastructure strategy. The transaction in Serentica marks KKR's latest investment in India and the renewables sector.

KKR's investment in Serentica reflects its confidence in India's renewables sector and its commitment to advancing the energy transition in India. Energy-intensive, heavy-industry companies play an important role in society but have traditionally faced more challenges in meeting energy needs sustainably. With Serentica, KKR looks to support these companies in their decarbonisation objectives.

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