

Technology dealtracker

Providing M&A and PE deal insights

Q3 2023 | Volume 3



Deal overview



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Deal activity this year in the tech sector continue to remain subdued so far, compared to the previous year.

Valuations continue to be moderated in the tech sector in 2023 which is in line with global tech valuation trends. Clearly, Generative AI is expected to disrupt the tech eco-system and large tech service players are investing in Generative AI and also accelerating used cases with customers. This space is fast evolving and tech players are adapting to the new tech and using in client situations to improve efficiencies in various industries.

Deal activity in the first three quarters of the year saw a sharp decline specifically in terms of values compared to the same period in 2022 with an 88% decline in values from USD 23 billion in 2022 to USD 2.8 billion this year. This decline can be majorly attributed to the L&T – Mindtree merger last year valuing USD 17.7 billion. Even after paring that deal, we witnessed a 47% decline in deal values.

The third quarter in 2023 recorded a deal value of USD 1.5 billion across 87 deals, which translates to a 40% increase in value and 13% decrease in volumes respectively, as compared to Q2 2023, which saw 100 deals worth USD 1 billion.

The M&A space which typically has been dominated by domestic consolidation, saw cross-border transactions accounting for almost 55% of the deals in Q3 2023. The third quarter of 2023 reported a total of 20 M&A deals as compared to 22 deals in the previous quarter, while the deal value stood at USD 882 million compared to USD 131 million in the previous quarter.

The PE and VC space saw a marginal drop in technology deals on a quarter-on-quarter basis. The number of deals recorded in Q3 2023 stood at 67, compared to 78 deals in Q2 2023. The deal value in Q3 2023 stood at USD 564 million compared to USD 900 million in the previous quarter.

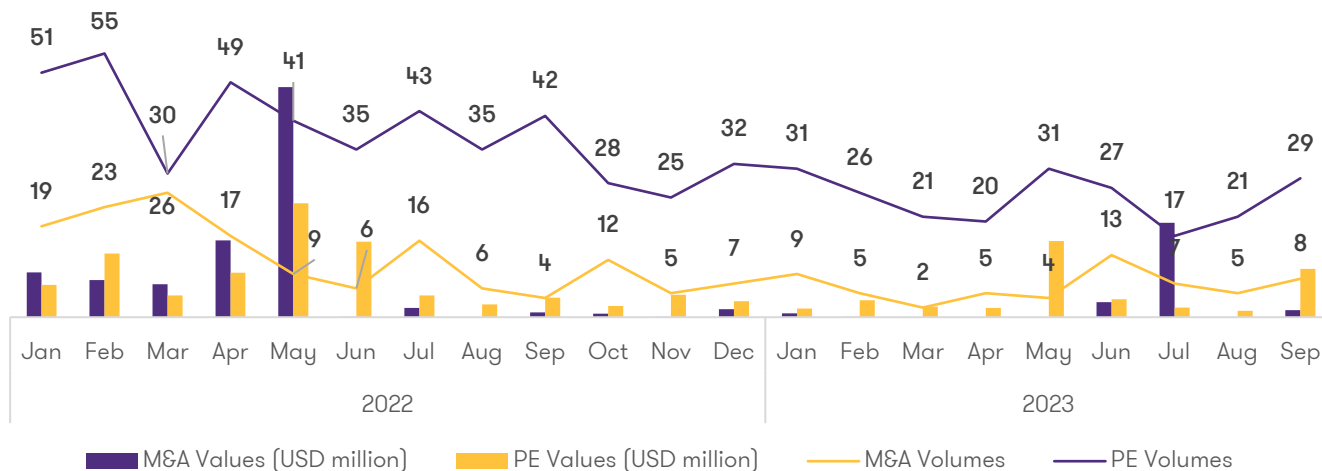
PE and VC Funds are on a strong footing with significant dry powder to invest but is choosing investment themes carefully which means much more extensive due diligence and longer deal closure cycles. Start-up funding in tech start-ups have slowed down in 2023 and investors continue to look at innovative and niche business models in areas like spacetech, SAAS, AI, generative AI, cloud etc.

Through interactions with alternative investment funds, startup CEOs, and fund managers, the Indian government is actively trying to address operational barriers. In order to understand the factors causing the funding decline, they are also seeking insights from various sectors, including mutual funds, banks, and other stakeholders, demonstrating a proactive approach to fostering the startup ecosystem.



Deal overview

Monthly deal trend



Deal summary	Volume			Value (USD million)		
	Q1 2023	Q2 2023	Q3 2023	Q1 2023	Q2 2023	Q3 2023
Domestic	13	13	9	20	95	61
Inbound	2	6	8	0	36	821
Outbound	1	3	3	16	0	0
Cross-border	3	9	11	16	36	821
Total M&A	16	22	20	36	131	882
Private equity	78	78	67	315	900	564
Grand total	94	100	87	351	1,031	1,446

Note: The provided value encompasses only transactions in which the deal value has been publicly disclosed.

Overall deal activity | 87 deals at USD 1.4 billion

In Q3 2023, the sector saw three significant deals, resulting in a remarkable 143% increase in total deal values compared to Q3 2022. Despite a 40% drop in deal volumes, witnessing average deal size, reaching USD 17 million, up from USD 4 million in Q3 2022.

M&A activity | 20 deals at USD 882 million

The Tech creators/ SaaS sector attracted investors attention in the M&A space with 50% of the volumes and 93% values coming from the segment.

PE/VC activity | 67 deals at USD 564 million

The PE space witnessed declined activity over Q2 2023. This decline in values was primarily due to Apax Partners' USD 450 million investment in IBS Software Services, which accounted for 50% of the PE sector's values in the previous quarter.

IPO and QIP activity

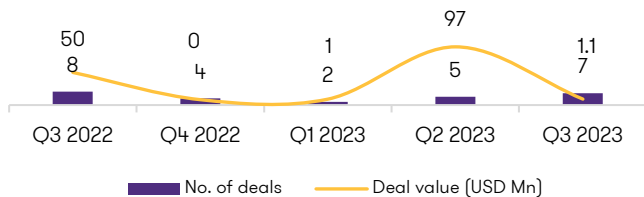
3 IPOs valuing USD 253 million and 2 QIPs valuing USD 84 million witnessed in Q3 2023 over muted activity witnessed in Q2 2023

Highlights

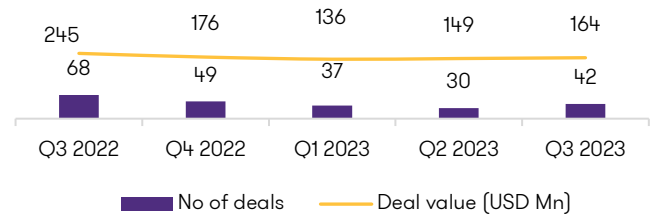
Sector trends

Technology start-ups

M&A



PE/VC



Note: The deal value includes only those transactions where the deal value has been made public.
Source: News articles and publicly available information

Highlights

- In Q3 2023, the tech startup sector exhibited notable improvement compared to previous quarter, with number of PE/VC deals increasing by more than 40%
- Investor confidence is on the rise, yet the scarcity of mega deals persists due to cautious investors. Valuation adjustments continue to be a trend in the sector.
- Despite previous funding challenges stemming from reduced demand for online education, the Edtech segment seems poised for recovery as companies are increasingly prioritizing hybrid learning models.

Top deals of the segment

Investor/ Acquirer	Investee/ Target	Deal type	stake%	USD mn
SBI Multicap Fund, SBI Magnum Global Fund, SBI Technology Opportunities Fund and Angel Investors	Nazara Technologies Pvt Ltd	PE	9.9%	62
Bertelsmann India Investments and angel investor	Diptab Ventures Pvt Ltd- Letstransport.in	PE	N.A.	25
SBI Investment, Evolve Capital, Accel, Matrix Partners India, Prosus Ventures and Tiger Global	Infifresh Foods Pvt Ltd - Captain Fresh	PE	N.A.	20
Peak XV and Lightspeed Venture	AI4Bharat	PE	N.A.	12
Nexus Ventures, Arkam Ventures, Blume Ventures and Alteria Capital.	Qikwork Services Pvt Ltd- Smartstaff	PE	N.A.	6

Sources for Highlights section:

[Inc42- India start-up funding](#)

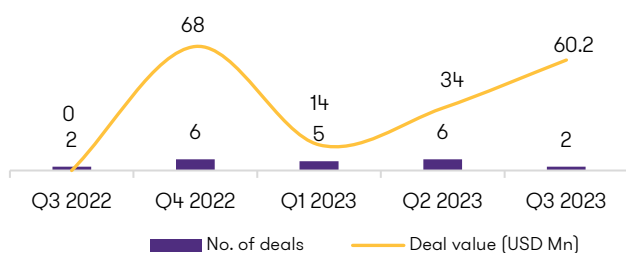
[Inc42-edtech](#)

[The Hindu](#)

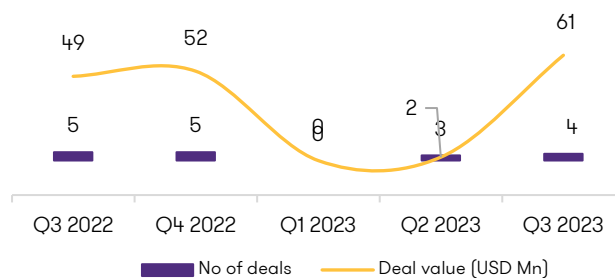
Sector trends

Technology service providers

M&A



PE/VC



Note: The deal value includes only those transactions where the deal value has been made public.
Source: News articles and publicly available information

Highlights

- The major IT companies, such as TCS, Infosys, Wipro, and HCLTech, have collectively signed multi-billion dollar deals in the June quarter, indicating the return of mega deals.
- These deals were a combination of both asset and people takeovers from the customer, with an objective of achieving cost efficiencies.
- However, the decision-making cycles with customers are still longer than usual due to global macro-economic concerns.
- Private equity roll-ups and strategic acquisitions in select segments are expected to continue driving deals in this sector.

Top deals of the segment

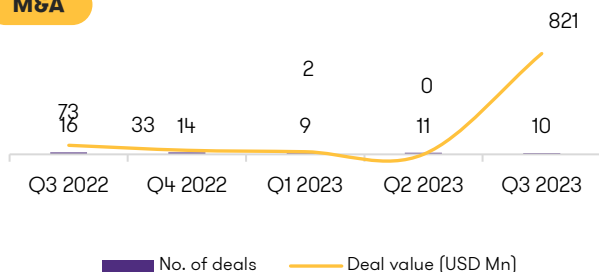
Investor/ Acquirer	Investee/ Target	Deal type	stake%	USD mn
B.L. Agro Industries Limited	LeadsConnect Services Pvt Ltd	Outbound acquisition	100%	60
MO Alternate Investment Advisors Private Limited	VVDN Technologies pvt Ltd	PE	N.A.	31
A91 Partners	Kaar Technologies India Pvt Ltd	PE	N.A.	30
Unicorn India Ventures.	Aurassure Pvt Ltd	PE	N.A.	1
100X.VC, SAT Industries and angel Investors	ThinkMetal Pvt Ltd	PE	N.A.	0.3

Sources for Highlights section:
[Timesnownews](#)
[Times of India](#)

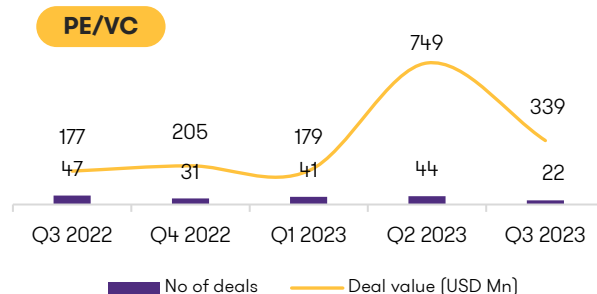
Sector trends

Enterprise Software / SaaS

M&A



PE/VC



Note: The deal value includes only those transactions where the deal value has been made public.
Source: News articles and publicly available information

Highlights

- In Q3 2023, enterprise software / SaaS company deals saw a decline, notably in the PE/VC segment.
- Enterprise software / SaaS deals accounted for 53% and 33% of M&A and PE/VC deals, respectively.
- Most of the companies that raised capital were in the early stage (Angel to pre-Series A stage).

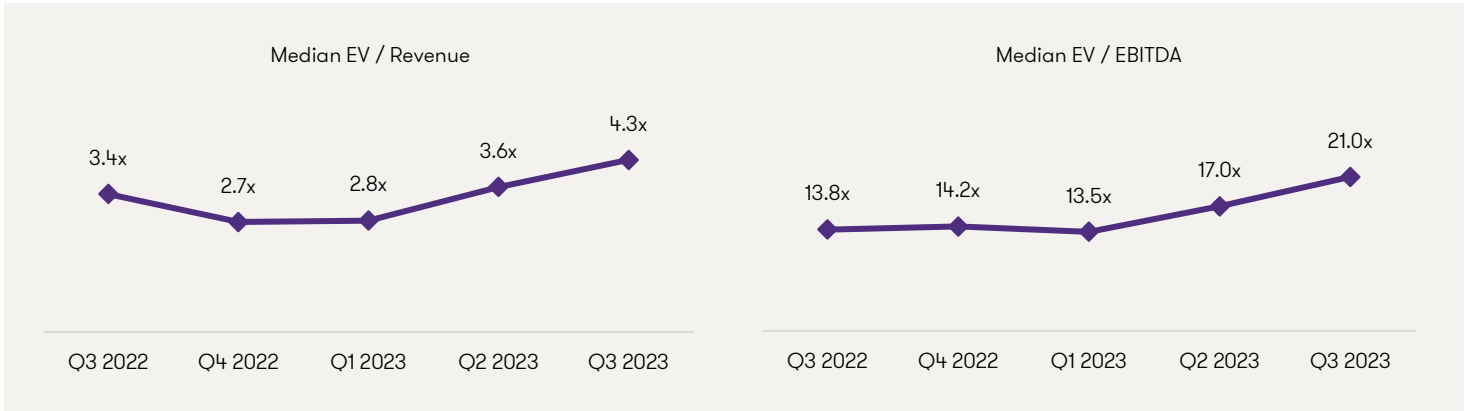
Top deals of the segment

Investor/ Acquirer	Investee/ Target	Deal type	stake%	USD mn
Proximus Opal SA	Route Mobile Ltd.	Inbound acquisition	58%	721
Kedaara Capital	Perfios Software Solutions Pvt Ltd	PE	N.A.	229
SRAM & MRAM Group	Zyber 365 Technologies Pvt Ltd	Inbound acquisition	N.A.	100
Lumos Capital Group, 360 One Asset, Kae Capital, Dallas Venture Capital and Kois	Heuristix Digital Technologies Pvt Ltd - Disprz	PE	N.A.	30
Creaegis Advisors	Kale Logistics Solutions Pvt Ltd	PE	N.A.	30

Sources for Highlights section:
[Timesnownews](#)
[Times of India](#)

Valuation trends

Enterprise Software / SaaS

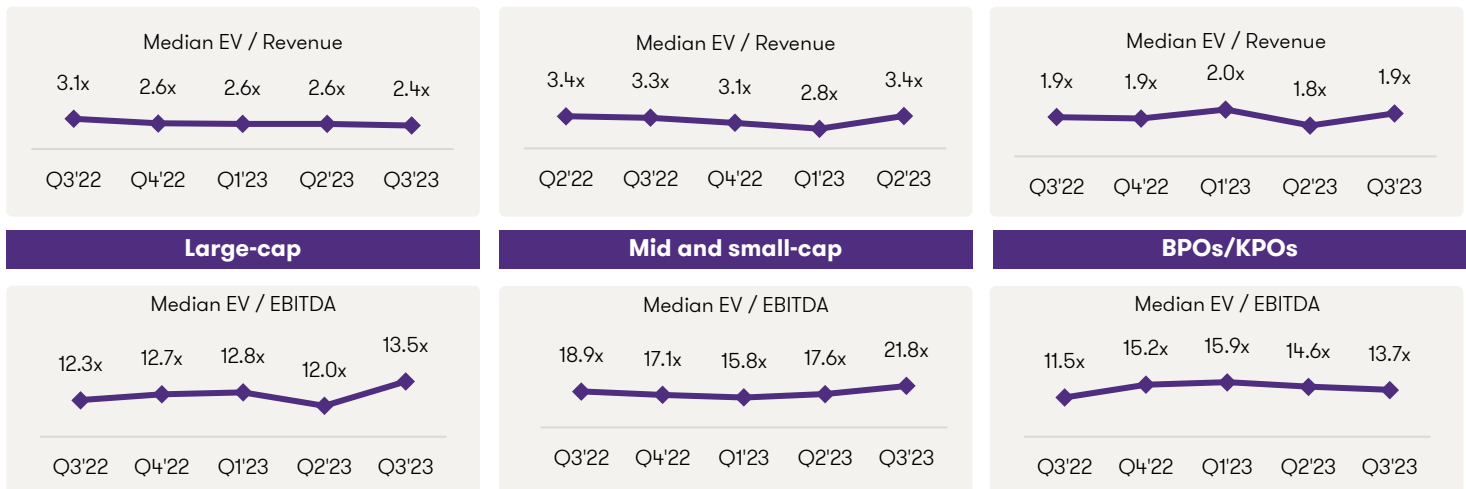


The valuations of Enterprise Software / SaaS companies have started to show signs of recovery in Q3 2023, wherein the EV/Revenue and EV/EBITDA multiples have increased by 25% and 52% respectively compared to Q2 2022

Note: Market data is up to 28 September 2023. Please refer to the appendix section for the list of constituents. EV stands for enterprise value, and EBITDA refers to earnings before interest, depreciation and amortisation.

Source: S&P Capital IQ

Technology service providers



The EV/EBITDA multiple of large-cap and mid and small-cap companies increased by 13% and 24%, respectively on a QoQ basis, while the revenue multiple of BPO/KPO companies remained almost at the same level on both QoQ and YoY basis. However, the EV/EBITDA of BPO/KPO companies increased by 19% from the Q2 2022 level.

Note: Market data is up to 28 September 2023. Please refer to the appendix section for the list of constituents. EV stands for enterprise value, and EBITDA refers to earnings before interest, depreciation and amortisation.

Source: S&P Capital IQ

Appendix

Technology service providers

Large-cap companies

- Tata Consultancy Services
- Infosys
- HCL Technologies
- Wipro
- Tech Mahindra
- Cognizant Technology Solutions

BPO/KPO companies

- Genpact
- WNS
- Exl Service Holdings
- Firstsource Solutions
- Hinduja Global Solutions
- Datamatics Global Services

Mid- and small-cap companies

- Larsen & Toubro Infotech
- Mindtree
- L&T Technology Services
- Mphasis
- Persistent Systems
- Coforge
- Oracle Financial Services Software
- KPIT Technologies
- Cyient
- Birlasoft
- Sonata Software
- Mastek
- Zensar Technologies

Enterprise Software / SaaS

Company Names

- Tanla Platforms
- Brightcom Group
- Intellect Design Arena
- Newgen Software Technologies
- RateGain Travel Technologies
- Accelya Solutions India
- Subex
- Nucleus Software Exports
- Quick Heal Technologies
- Freshworks



Fund raising and M&A credentials

Digital Banking

Advised on a US\$ 120 million merger of a Digital Banking platform in the US, which also included a primary fund-raise and a secondary transaction

KPO / Analytics

Advised on the sale of an analytics firm providing research and analytical support for financial institutions to a bigger US-based analytics company

Cyber Security

Advised on the sale of a cloud security management software provider to a NASDAQ-listed Identity Security and Access Management company

Managed Training Services

Advised on the sale of leading provider of training programmes on emerging digital technologies to a listed Indian global skills and talent development company

Systems Integration

Advised on the sale of a System Integrator (Microsoft & VM Ware) to a Norway-based listed IT advisory company

Product Development

Advised on the sale of an outsourced product development company to a Norway-based listed IT advisory company

Cloud & Data

Advised on the sale of a global data, AI, and cloud services firm to a NASDAQ-listed global analytics and digital solutions leader

Analytics & AI

Advised on the sale of a cloud-based software product engineering company to a listed Indian IT services provider

GPS Mapping Solutions

Advised a cloud-based IT and custom mapping solutions provider in its fund-raise from one of the world's major venture funds

Managed Services

Advised a provider of service-oriented architecture (SOA)-based solutions and enterprise transformation applications on its acquisition of a Bengaluru-based managed services provider

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Technology Industry Leaders



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

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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.



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