

Technology Dealtracker

Providing M&A and PE deal insights

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Deal snapshot



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India's technology industry remains steadfast in its commitment to sustainable growth and innovation, amidst economic challenges. The tech industry in India, estimated at USD 254 billion, showed resilience in FY2024 achieving a 3.8% year-on-year growth compared to 8.1% in FY 2023. Despite growth concerns, a modest FY25 recovery is anticipated, with lingering challenges in H1 FY25 due to cautious spending. Market sentiment is optimistic with potential US Federal Reserve rate cuts. Gradual demand revival is expected, aided by conducive monetary policies and increased private capital expenditure targeting new markets and innovations.

In Q1 2024, there was a promising upswing in deal activity, marked by a 18% increase in volumes and a 25% rise

in values compared to the previous quarter. M&A activity experienced a notable resurgence, witnessing a significant 46% rise in volumes and a remarkable 6x increase in values, resulting in a higher average ticket size of USD 11.3 million, up from USD 2.8 million in the previous quarter. While inbound activity maintained steady volumes, deal values were subdued due to undisclosed values. PE activity also demonstrated strength, with a 9% increase in deal volumes, albeit accompanied by an 11% decline in deal values, primarily attributed to several small ticket transactions.

Growth is expected from deal renewals, vendor consolidation, and transformation projects. Foundational spending surge foreseen, especially in cloud infrastructure, IT modernisation,

and digital customer experience. Gen AI prioritised, signaling a shift to future-ready, IoT-based solutions. Operating model transformations are expected to drive demand for IT services, emphasising on innovation and adaptability. IT firms plan to intensify AI investments for productivity and scalability, readying for emerging opportunities.

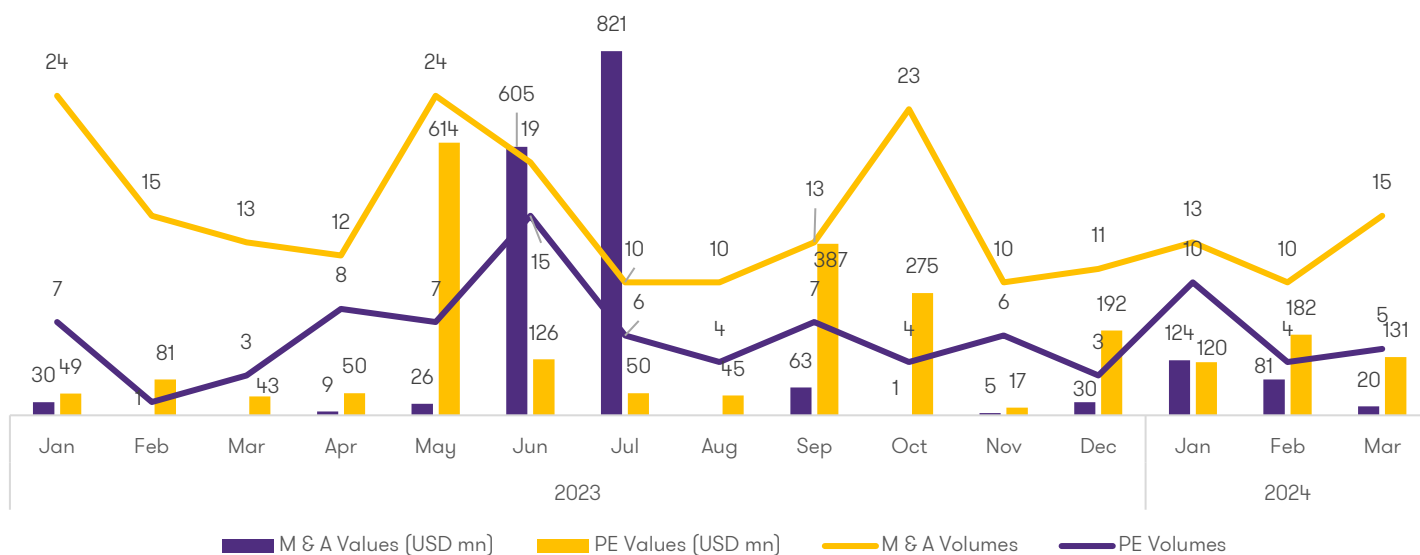
Despite tough market conditions and slowed hiring, the tech industry added 60,000 employees, totaling 5.43 million, a 1.1% year on year growth in FY24. It's expected to maintain headcount status quo, but FY25 may see slight improvement with stabilised macroeconomics and rationalised overcapacity. In FY25, increase in client tech spending is likely to boost overall tech hiring.

Sources: [Economic Times](#)



Deal snapshot

Monthly deal trend



Deal summary	Volume			Value (USD million)		
	Q3 2023	Q4 2023	Q1 2024	Q3 2023	Q4 2023	Q1 2024
Domestic	6	6	9	63	31	39
Inbound	6	5	5	821	2	0
Outbound	5	2	5	0	3	176
Total M&A	17	↓ 24% 13	↑ 46% 19	884	↓ 96% 36	↑ 497% 215
Private equity	33	↑ 33% 44	↑ 9% 48	482	484	↓ 11% 433
Grand total	50	↑ 14% 57	↑ 18% 67	1,366	↓ 62% 520	↑ 25% 648

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

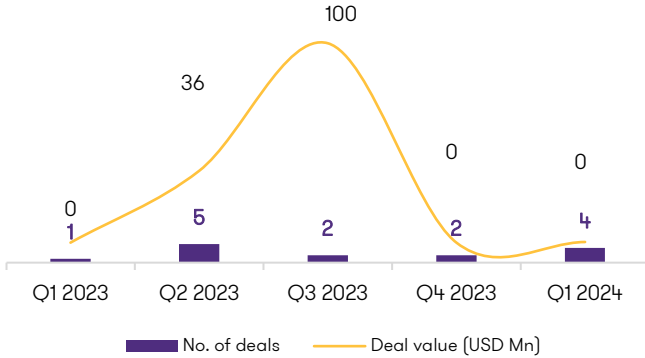
Key trends

- The year began on a positive note for the sector, experiencing growth in both volumes and values compared to the previous quarter. The overall deal values are up by 25% attributing to five high value deals (>=50 mn), which constitute nearly 59% of the total deal activity.
- Domestic deal activity drove deal volumes and US companies dominated the outbound deal activity. Four out of five outbound deals, with one acquisition and three acquiring stakes in Indian companies contributed to nearly 82% share of total M&A deal values. Inbound deals maintained steady deal volumes but reported no values due to non-disclosure of deal values.
- PE activity has seen a rising trend in volumes since 2023, while the values drop by 11% from the previous quarter. The small deals (<7 mn) dominated the PE activity with 69% share of the total PE deal volumes. Tech start-ups led the PE volumes by 69%, while the SaaS companies drove the values by 60%.

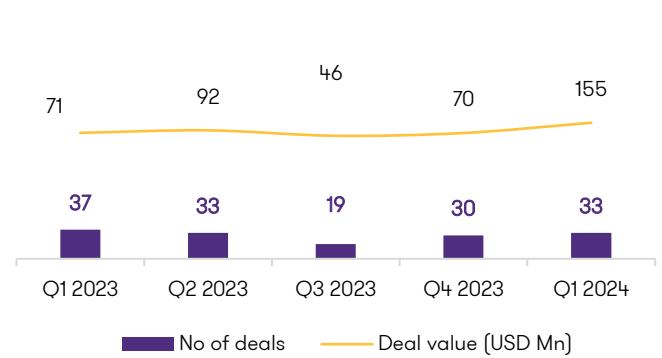
Sector trends

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

- Despite a funding slowdown and economic uncertainty, India's tech start-up ecosystem continued to thrive and secures fourth-highest funding globally. Notably, Krutium AI emerged as one of the two Unicorns this quarter. Both M&A and PE activity witnessed increased deal activity over last two quarters.
- Growth and late-stage deals declined as investors grew cautious and mature start-ups feared valuation cuts. Amidst a prolonged funding slowdown, listing offers a potential fund raising avenue for new-age tech companies because of which many tech companies plan to go public this month.
- As part of the exercised caution, investors are now favouring profitable startups with strong cash management over aggressive growth strategies. Corporate governance and internal controls have become crucial part of due diligence.

Top deals of the segment

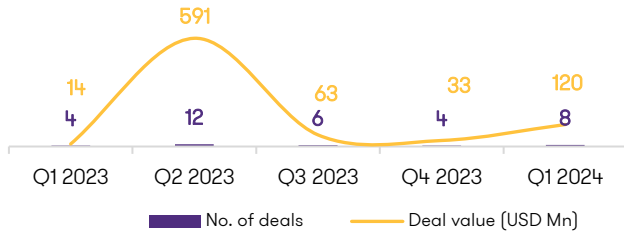
Investor/ Acquirer	Investee/ Target	Deal type	stake%	USD mn
Matrix Partners India	Krutrim SI Designs Pvt Ltd	PE	N.A.	50
SBI Investment, Tiger Global, Nippon express holdings, Axilor Technologies Fund, Fundamental, Arali Investments, Unikon Shipping Ventures and angel investors	Wiz Logtec Solutions Pvt Ltd- Wiz Freight	PE	N.A.	15
Lightspeed Partners, MassMutual Ventures, and Endiya Partners	Riversys Technologies Pvt Ltd - Scrut Automation	PE	N.A.	9
The Fundamentum Partnership Fund and Elevation Capital	Creatormon Pvt Ltd - Wishlink	PE	N.A.	7
Vertex Ventures Southeast Asia and India, Peak XV Partners, InfoEdge Ventures and Tenacity ventures	Attentive AI Solutions Pvt Ltd	PE	N.A.	7

Sources for Highlights section: [Economic Times](#) [Business Today](#) [Business World](#)

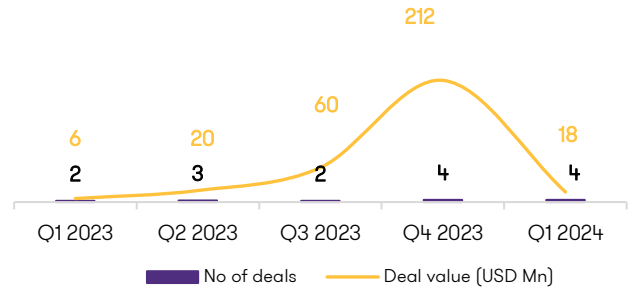
Sector trends

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

- In the tech service providers segments, Q1 2024 witnessed 12 deals valued at USD 138 million, which is a 50% increase in volumes while a 44% decline in values due to lower ticket transactions in this quarter over Q4 2023. This quarter did not witness any high value deals in the segment compared to one high value PE investment by TPG Fund in Tata Technologies worth USD 197 million in the previous quarter which was responsible for the uptick in the values.
- Signs of moderating inflation and macroeconomic stabilisation offer strategic optimism for tech's growth. 2024 is poised for renewed deal-making as companies pursue inorganic growth opportunities. Moreover, strategic buyers are showing growing interest in emerging technologies such as IoT, AR/VR, data analytics, and digital consulting.
- Major Indian IT firms have started experiencing strong deal momentum across markets resulting in a solid order book, especially in Generative AI.

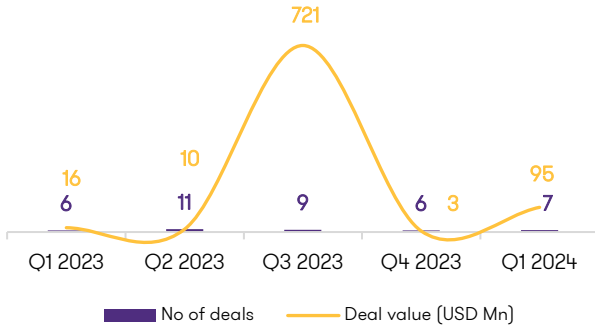
Top deals of the segment

Investor/ Acquirer	Investee/ Target	Deal type	stake%	USD mn
Wipro Ltd	Aggne Global Inc and Aggne Global IT services	Outbound acquisition	60%	66
Infosys Ltd	InSemi Technologies Pvt Ltd.	Domestic acquisition	100%	33
TDK Ventures, British International Investment, ITI Growth Opportunities Fund, Navam Capital, Aureolis Ventures, 3one4 Capital, Omnivore, Wavemaker Partners, Genting Ventures, and The Yield Labs Asia Pacific	Wolkus Technology Solutions Pvt Ltd - Fasal	PE	N.A.	12
One Point One Solutions Ltd	ITCube Solutions Pvt Ltd.	Domestic acquisition	100%	10
Infibeam Avenues Ltd	Xduce Corporation	Outbound acquisition	20%	10

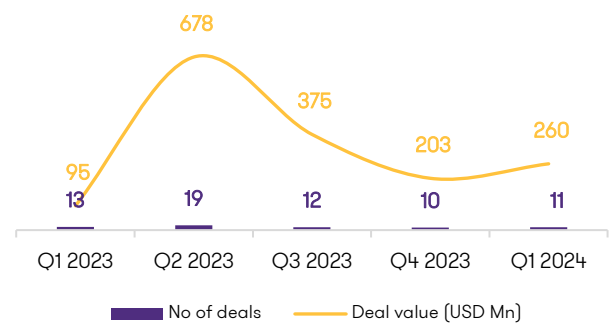
Sector trends

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

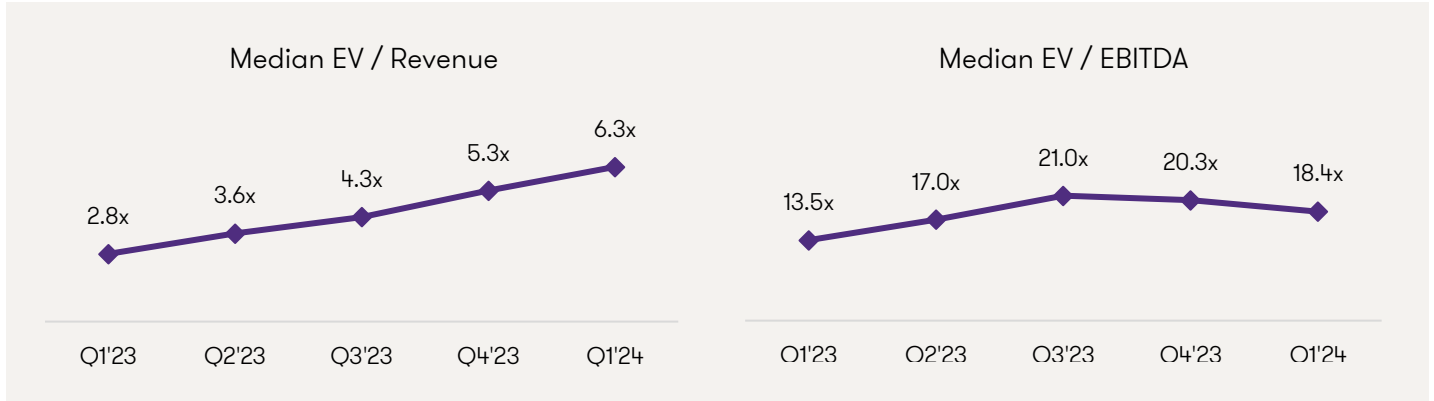
- Amid a subtle start in deals, software/SaaS companies persisted in prioritising capital and operational efficiency, emphasising on cost-cutting and internal improvements. While this strategy did not lead to any significant change in deal volumes as compared to the previous quarter, there was a remarkable 1.7x increase in deal values. Additionally, this segment attracted the highest amount of funding in terms of values compared to the other sub segments of the IT sector.
- Emerging technologies such as generative AI, machine learning, especially MLOps, cybersecurity continue to gain significance and continue to be an area of focus for companies, investors and buyers.
- The segment also witnessed the emergence of a new unicorn — Perfios receiving USD 80 million from Techers venture growth this quarter.

Top deals of the segment

Investor/ Acquirer	Investee/ Target	Deal type	stake%	USD mn
Avataar Venture Partners, Pantheon Ventures, 57Stars, Unigestion, Filter Capital and Innoven capital	Capillary Technologies Pvt Ltd	PE	N.A.	95
IBS Software	Above Property, LLC	Outbound acquisition	100%	90
Teachers venture growth	Perfios Software Solutions Pvt. Ltd	PE	N.A.	80
Kamath Associates, NKSquared, Plutus Wealth Management, chartered Finance and Leasing, ICICI Prudential ESG fund, ICICI Prudential Flexicap Fund and ICICI Prudential Technology Fund	Nazara Technologies Pvt. Ltd	PE	N.A.	30
Elev8 Venture Partners, KB Investment and Tenacity Ventures	Baldor Technologies Pvt Ltd-ldfy.com	PE	N.A.	27

Valuation trends

Enterprise Software / SaaS

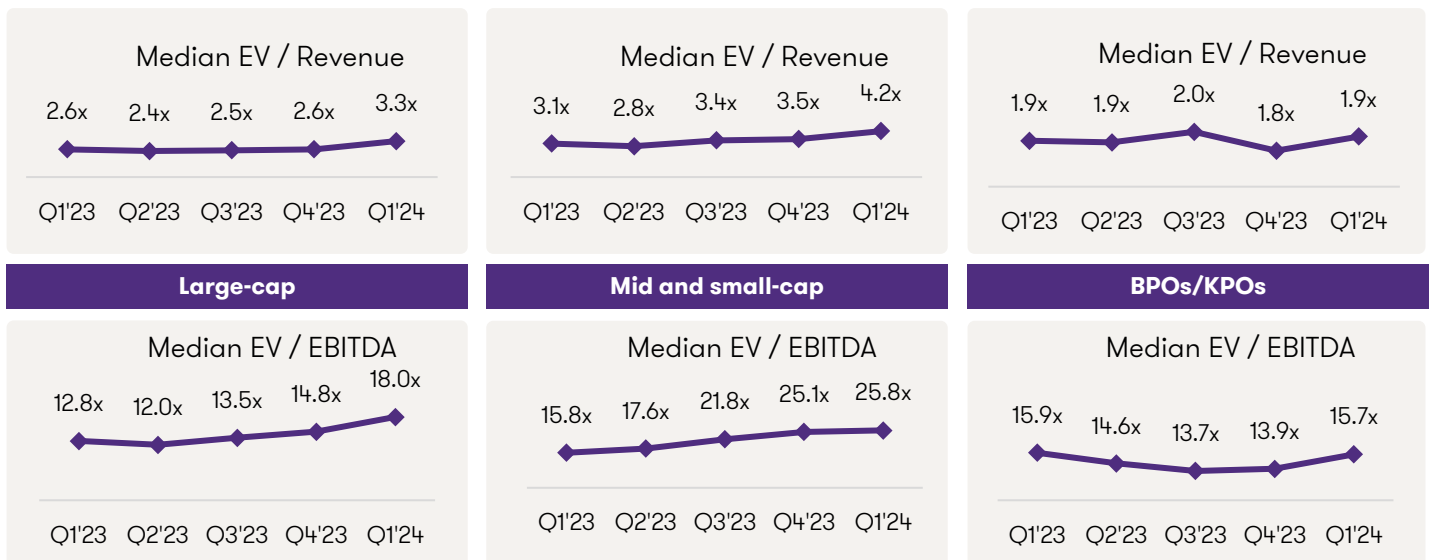


The valuations of Enterprise Software/SaaS companies had a strong rebound in Q1 2024, wherein the EV/Revenue and EV/EBITDA multiples have increased by 128% and 36%, respectively as compared to Q1 2023.

Note: Market data is up to 28 March 2024. 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 amortization.

Source: S&P Capital IQ

Technology service providers



The EV/Revenue multiple of large-cap and mid and small-cap companies increased by 29% and 21%, respectively on a Q-o-Q basis, while the revenue multiple of BPO/KPO companies increased marginally by 7% QoQ. However, the EV/EBITDA of BPO/KPO companies increased by 13% during the same period.

Note: Market data is up to 28 March 2024. 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 amortization.

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 USD 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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Vishesh C. Chandiok
Chief Executive Officer
Grant Thornton Bharat

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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 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. This document contains the deals announced and closed as of 25 March 2024 for Q1 2024.

Please note that the criteria used to define Indian tech 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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