

Technology Dealtracker

Providing M&A and PE deal insights

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Glossary



Sector grouping	Definition
Technology start-ups	Internet companies with a business-to-business (B2B) or business-to-customer (B2C) model
Technology service providers	Information technology (IT)/business process outsourcing (BPO)/knowledge process outsourcing (KPO) services companies and IT consulting companies
Enterprise Software / SaaS	SaaS and software development companies, enterprise software and infra companies



Foreword



Raja Lahiri

Partner
Grant Thornton Bharat LLP

Despite challenging economic conditions, the technology sector in India is expected to sustain its growth trajectory. While growth of technology continues to be moderate in India and globally, along with disruption in new tech, including generative AI, larger technology companies and those with strong investor backing will continue to look for M&A opportunities.

While PE and VC funds have the dry powder to do deals, they are looking for fresh opportunities in technology, including SAAS, generative AI start-ups and niche tech services players.

Overall, while deal activity in the sector remained subdued as compared to the previous year, there was a marginal improvement in quarterly deal activity in Q2 2023 compared to Q1 2023.

The second quarter in 2023 recorded a deal value of USD 1.1 billion across 99 deals, which is a 269% and 15% increase in values and volumes, respectively, as compared to Q1 2023, which saw 86 deals worth USD 306 million.

The M&A space continues to be dominated by domestic consolidation, accounting for almost 60% of the deals in Q2 2023. The second quarter of 2023 reported a total of 22 M&A deals as compared to 15 deals in the previous quarter, while the deal value stood at USD 131 million compared to USD 36 million in the previous quarter.

The PE and VC space also saw a marginal improvement in technology deals on a quarter-on-quarter basis. The number of deals recorded in Q2 2023 stood at 77, compared to 71 deals in Q1 2023. The deal value in Q2 2023 jumped to USD 900 million from USD 270 million in the previous quarter.

We believe deal activity in the technology sector will increase in H2 2023 as technology players and investors look for potential targets. However, due diligence and valuation negotiations will increase the timeline to close deals.

Deal snapshot



	Volume			Value (USD million)		
	2021	2022	2023	2021	2022	2023
Domestic	17	22	13	57	17,723	95
Cross-border	12	10	9	380	649	36
Total M&A	29	32	↓ 31% 22	437	18,372	↓ 99% 131
Private equity	102	125	↓ 38% 77	4,001	2,037	↓ 56% 900
Grand total	131	157	↓ 37% 99	4,438	20,409	↓ 94% 1,131
Cross-border includes						
Inbound	2	4	6	10	2	36
Outbound	10	6	3	370	647	-

	Volume			Value (USD million)		
	2021	2022	2023	2021	2022	2023
Domestic	39	71	26	206	18,109	115
Cross-border	27	29	12	2,205	1,263	52
Total M&A	66	100	↓ 62% 38	2,411	19,372	↓ 99% 167
Private equity	193	261	↓ 40% 156	4,534	3,063	↓ 60% 1,215
Grand total	159	361	↓ 46% 194	6,945	22,435	↓ 94% 1,382
Cross-border includes						
Inbound	8	13	8	274	7	36
Outbound	19	16	4	1,931	1,256	16

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

Technology sector deal activity faces decline, but sees encouraging trend in volumes over Q1 2023

- Due to changing valuation trends, rising inflation, and tightened budgets from conglomerates and major PE/VC firms, the technology industry has experienced a continuous decline in deal activity. This resulted in a 37% decline in volumes and a significant 94% decline in overall values in Q2 2023 as compared to Q2 2022.
- However, when compared to Q1 2023, this quarter saw a marginal increase of 15% in volumes and a significant increase of 270% in values. This can be attributed to a single big-ticket fundraiser by IBS Software Services, totaling USD 450 million.
- M&A activity in the quarter reported a 99% decline in values as compared to Q2 2022. This decline was primarily due to the L&T-Mindtree merger, valued at USD 17.7 billion, which accounted for a significant portion of overall values. Excluding this deal, there was still an 81% decline in values on account of non-disclosure of deal values.
- On the PE/VC investment front, volumes decreased by 38%, while values dropped from USD 2 billion in Q2 2022 to USD 900 million. This decline can be attributed to market saturation, valuation challenges, and increased regulatory changes. Additionally, investors are hesitant to invest in growing companies without clear profitability prospects, resulting in uncertainty about their returns on investments.
- In terms of sector activity, the enterprise application/SaaS segment dominated, accounting for 56% of volumes and 66% of values. This segment saw 55 deals valued at USD 749 million.

Technology sector's deal activity plummets in H1 2023

- The deal activity in the sector experienced a substantial decline in H1 2023, with volumes falling by 46% and values dropping by 94%. Although there were notable high-value transactions, H1 2022 outperformed H1 2023 in terms of deal activity in the sector.
- The technology start-ups segment had been leading in deal volumes, if not values, in the sector until Q4 2022. However, since the beginning of 2023, the technology creators/SaaS segment has taken over the deal activity, with a dominance of 105 deals totaling USD 949 million in value.

Top deals: Q2 2023



Top deals accounted for **69% of overall deal** values and constituted only **10% of volumes**.



Investor/ Acquirer	Investee/ Target	Deal type	sub sector	stake%	USD mn
Apax Partners	IBS Software Services Pvt Ltd	PE	Enterprise Software / SaaS	N.A.	450
Physics Wallah Pvt. Ltd	Xylem Learning Pvt Ltd	Domestic acquisition	Technology start-ups	N.A.	61
Avataar Venture Partners, Pantheon, 57Stars, Unigestion, Innoven Capital and Filter Capital	Capillary Technologies Pvt Ltd	PE	Enterprise Software / SaaS	N.A.	45
Fireside Ventures, Bikaji, Neo Foods, 3one4 Capital, Zephyr Peacock, Sojitz Corporation, Stride Ventures, Alteria Capital, Northern Arc Investments and Trifecta Capital	Intelligent Retail Pvt. Ltd- Ripplr	PE	Technology start-ups	N.A.	40
Google LLC	Pixxel	Inbound acquisition	Technology start-ups	N.A.	36
R Systems International Ltd	Velotio Technologies Pvt. Ltd	Domestic acquisition	Technology service providers	100%	34
Vertex Growth Fund, SBI Investment Co Ltd, Farglory, Lesing Nine, Stride Ventures, Tuscan Ventures, Trifecta Capital, Vertex (Southeast Asia and India) and InnoVen Capital.	Ace Turtle Services Pvt Ltd	PE	Enterprise Software / SaaS	N.A.	34
Iron Pillar, Uncorrelated Ventures, Nexus Venture Partners, Chiratae Ventures, Next47 and angel investors	PandoCorp Pvt. Ltd	PE	Enterprise Software / SaaS	N.A.	30
360 ONE Asset Management Ltd Tech Fund	Course5 Intelligence Limited - Course5i	PE	Enterprise Software / SaaS	N.A.	28
MUFG Bank and Dharana Capital	Lentra AI Pvt Ltd	PE	Enterprise Software / SaaS	N.A.	27

Technology start-ups



Notable sector trends

Top M&A deal (Q2 2023)

The Edtech unicorn PhysicsWallah acquired a 50% stake in Kerala-based competitive exam coaching company Xylem Learning for USD 61 million. The deal is a combination of cash and equity. The investment is part of PhysicsWallah's goal to expand its presence in South India.

PhysicsWallah has been very active in the acquisition space in recent times and mentioned that it will continue to explore further M&A options in South India.

Top PE/VC deal (Q2 2023)

The distribution and logistics start-up Ripplr raised USD 40 million in a Series B funding round led by Fireside Ventures, with participation from new investors Bikaji and Neo Foods.

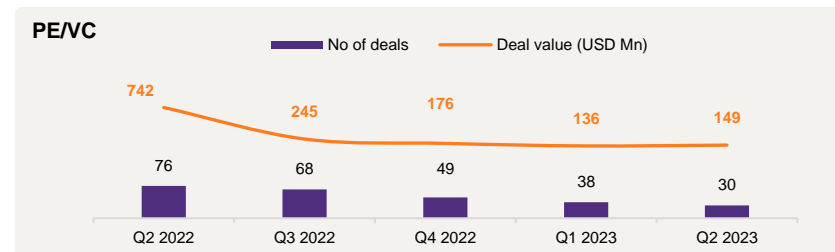
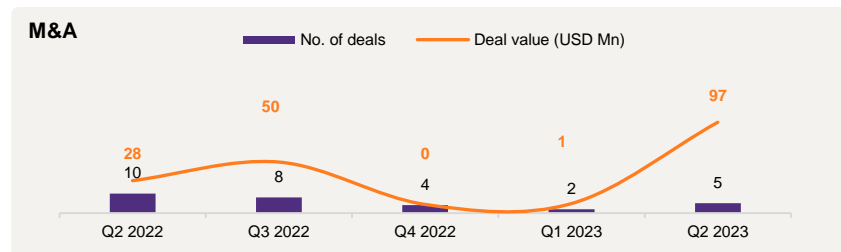
The existing investors 3one4 Capital, Zephyr Peacock, and Sojitz Corporation also participated in the fund-raising. The company mentioned that the funds will be used to enhance its supply-chain tech platform, expand its team, and increase its geographical footprint across India.

Highlights

- India has emerged as one of the world's largest start-up ecosystems, with a thriving environment for innovation and entrepreneurship.
- The technology start-ups segment was heavily dominated by the travel, transport and logistics space accounting for 26% of the deals, followed by real estate tech with five deals in Q2 2023.
- Although we saw a marginal decline of 13% in volumes, there was also a whopping 80% increase in overall values in the segment from Q1 2023.

Note: The deal value includes only those transactions where the deal value has been made public.

Source: News articles and publicly available information



Top deals: Q2 2023



Top M&A deals of the segment

Acquirer	Target	USD million	Deal type	% stake	Domestic/ cross-border
Physics Wallah	Xylem Learning	60	Acquisition	50%	Domestic
Google	Pixxel	36	Minority Stake	N.A	Inbound
iNurture Education Solutions	Youth4Work	N.A.	Acquisition	100%	Domestic
Adda247	Veeksha	N.A.	Acquisition	100%	Domestic
Maxima Logistics Pte Ltd - Deliver.sg	Xpressbees	N.A.	Acquisition	100%	Inbound

Top PE/VC deals of the segment

Investor	Investee	USD million	% stake
Fireside Ventures, Bikaji, Neo Foods, 3one4 Capital, Zephyr Peacock, Sojitz Corporation, Stride Ventures, Alteria Capital, Northern Arc Investments and Trifecta Capital	Ripplr	40	N.A.
Mitsui & Co.	JSW One Platforms	25	N.A.
Patni Family Office, Incred, Ashish Kacholia, Spark AIF, Grip Invest and Uber	Everest Fleet	20	N.A.
Peak XV Partners, Kalaari Capital, Global Brain, Campus Fund, and angel investors	Digantara	10	N.A.
IvyCap Ventures and Alteria Capital	Agraga	9	N.A.

Technology service providers



Notable sector trends

Top M&A deal (Q2 2023)

Blackstone-backed R Systems acquired Pune-based Velotio Technologies, a product engineering and digital solutions company, for USD 34 million. R Systems mentioned that the acquisition is expected to deepen its product engineering capabilities in the technology, media and healthcare verticals, and expand its India delivery footprint to Pune.

Velotio's co-founders and rest of the team (about 300 engineers) are likely to combine the businesses to drive its next phase of growth.

Top PE/VC deal (Q2 2023)

Cognecto, an Internet-of-things (IoT) solutions provider raised ~ USD 0.5 million from Inflection Point Ventures. The funds are likely to be utilised to accelerate the development of the product and bring real-time data analytics to mining and construction operations.

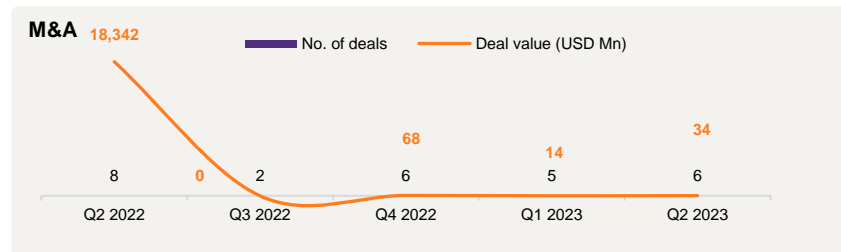
Cognecto uses artificial intelligence (AI), predictive analytics solutions and managed services related to industries such as mining, aluminum, highways, and logistics and has a presence across Asia, Europe, Australia and Africa..

Highlights

- India has emerged as a prominent destination for technology services, boasting a flourishing ecosystem of technology service providers.
- There was no significant growth in deal activity in the technology sector in Q2 2023 from Q2 2022, but there are positive indications of growth in the future.
- From Q1 to Q2 2023, there was an 80% increase in deal volumes and a 2.6x increase in deal values. However, it is important to note that these numbers have been influenced by various external factors, subject to market dynamics and trends.
- Despite the current landscape, the technology sector in India holds promising potential for growth and investment opportunities in the coming months and years.

Note: The deal value includes only those transactions where the deal value has been made public.

Source: News articles and publicly available information



Top sector deals: Q2 2023



Top M&A deals of the segment

Acquirer	Target	USD million	Deal type	% stake	Domestic/ cross-border
R Systems	Velotio Technologies	34	Acquisition	100%	Domestic
ThoughtSpot	SagasIT Analytics	N.A.	Acqui-Hire	100%	Inbound
Deloitte	Websym Solutions assets - Tezeva and FaktoryWize	N.A.	Acquisition	100%	Domestic
Veranda Administrative Learning Solutions	BAssure Solutions	N.A.	Acquisition	100%	Domestic
Capillary Technologies	Tenerity - Digital Connect Assets	N.A.	Acquisition	100%	Outbound

Top PE/VC deals of the segment

Investor	Investee	USD million	% stake
Inflection Point Ventures	Cognecto	0.5	N.A.
Bestvantage Investments, Ah! Ventures and Soonicorn	EnerComp Solutions	0.3	N.A.

Enterprise Software / SaaS



Notable sector trends

Top M&A deal (Q1 2023)

Fintech start-up CredFlow, which offers a cash flow management platform focused on SMEs, acquired business management start-up TechBiz for an undisclosed amount in an all-cash deal.

With this acquisition, CredFlow aims to launch its offering for more than 600k Busy Accounting software users all over India as well as globally. The acquisition is expected to expand CredFlow's target market by 15%.

Top PE/VC deal (Q1 2023)

Apax acquired a significant minority stake in IBS Software, which offers a range of SaaS solutions to airlines, logistics and hospitality companies for USD 450 million. The transaction is subject to customary closing conditions. Following the transaction, IBS Software's Founder and Executive Chairman V K Mathews will remain the majority shareholder.

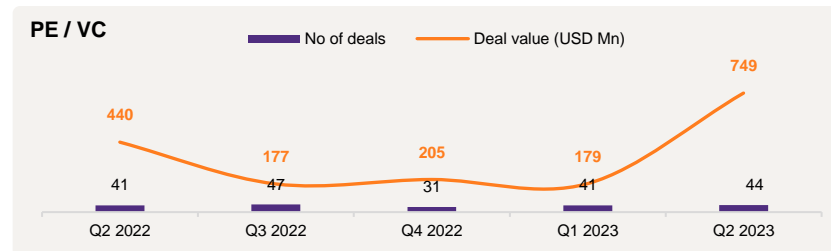
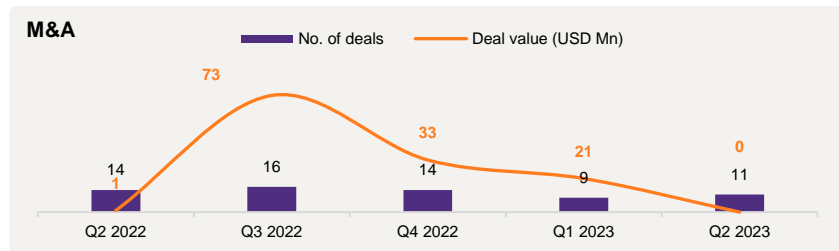
IBS Software considered initial public offering in the US last year. However, the firm, which filed for the IPO, postponed the plans amid a global weakening economy.

Highlights

- This quarter was marked by the significant dominance of Enterprise Software / SaaS company deals, constituting 52% and 60% of the M&A and PE/VC deals, respectively.
- Most of the companies that secured funding were at the pre-seed to pre-Series A stage.
- Notably, the only secondary transaction in the PE/VC domain was Apax's acquisition of a minority stake in IBS Software for USD 450 million, also marking the largest deal in this segment since 2021.

Note: The deal value includes only those transactions where the deal value has been made public.

Source: News articles and publicly available information



Top deals: Q2 2023



Top M&A deals of the segment

Acquirer	Target	USD million	Deal type	% stake	Domestic/ cross-border
KFin Technologies Limited	Webileapps (India) Private Limited	N.A.	Acquisition	100%	Domestic
Nextiva Inc	Simplify360	N.A.	Acquisition	100%	Inbound
Coca-Cola India Private Limited	Hashtag Loyalty Pvt. Ltd- Thrive	N.A.	Minority Stake	15%	Domestic
Pepper Advantage Technologies Limited	Rieom.ai	N.A.	Acquisition	100%	Inbound
Delhivery Private Limited	Vinculum Solutions Pvt. Ltd	N.A.	Minority Stake	N.A.	Domestic

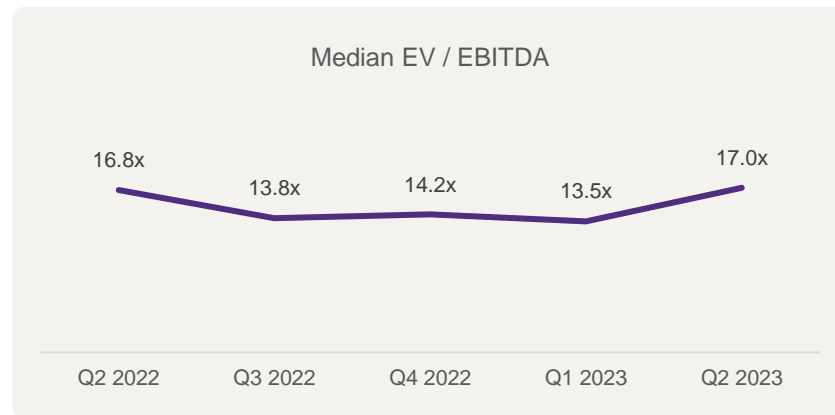
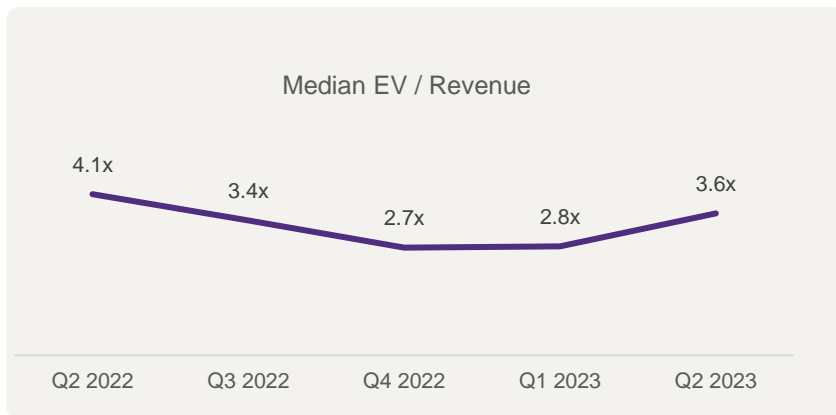
Top PE/VC deals of the segment

Investor	Investee	USD million	% stake
Apax Partners	IBS Software	450	N.A.
Avataar Venture Partners, Pantheon, 57Stars, Unigestion, InnoVen Capital and Filter Capital	Capillary Technologies Pvt Ltd	45	N.A.
Vertex Growth Fund, SBI Investment Co Ltd, Farglory, Lesing Nine, Stride Ventures, Tuscan Ventures, Trifecta Capital, Vertex (Southeast Asia and India) and InnoVen Capital.	Ace Turtle	34	N.A.
Iron Pillar, Uncorrelated Ventures, Nexus Venture Partners, Chiratae Ventures, Next47 and angel investors	PandoCorp	30	N.A.
360 ONE Asset Management Ltd Tech Fund	Course5i	28	N.A.

Valuation trends



Enterprise Software / SaaS



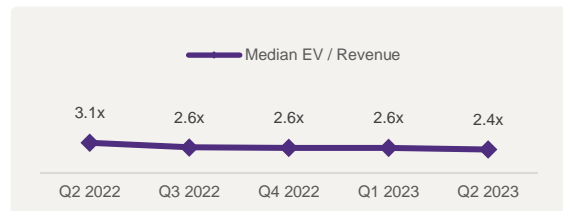
The valuations of Enterprise Software / SaaS companies have started to show signs of recovery wherein the EV/Revenue and EV/EBITDA multiples have increased by 30% and 26% respectively compared to the previous quarter.

Note: Market data is up to 30 June 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

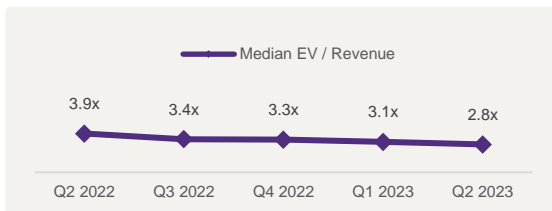
Valuation trends



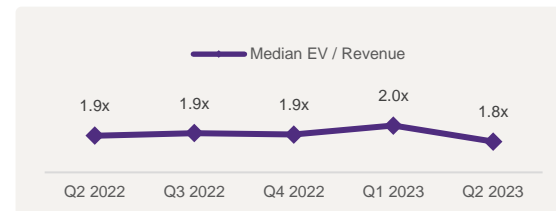
Technology service providers



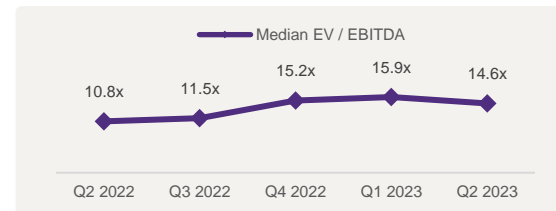
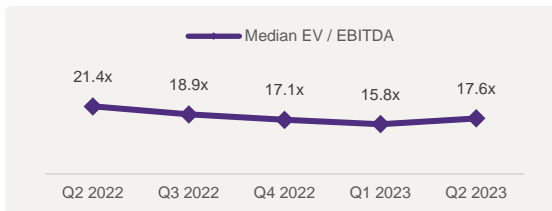
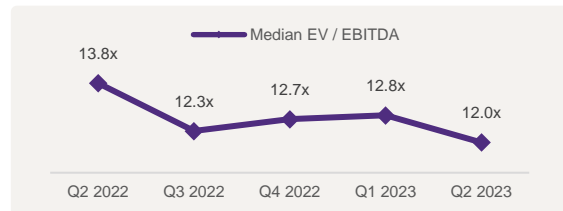
Large-cap



Mid and small-cap



BPOs/KPOs



The EV/revenue multiple of large-cap and mid and small-cap companies declined by 22% and 28%, respectively, from Q2'22, while remaining almost at the same level on a QoQ basis. However, the EV/EBITDA of BPO/KPO companies increased by 35% during the same period.

Note: Market data is up to 30 June 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

Grant Thornton Bharat sector case study



Exclusive advisor to a digital banking platform in a multi faceted deal which included a primary investment, a secondary sale and a merger to create a USD 120 Mn+ platform

Client profile: An omnichannel digital banking SaaS platform tailored for community banks and credit unions in the US, with R&D and product development team in India

Situation and problem statement

- In 2022, the US banking sector faced pressure, causing a decline of more than 30% in fintech valuations between LOI signing and transaction closure. Multiple bank failures added further strain during the closing period.
- While there was an opportunity for consolidation in this segment, the client's board was conservative, and it was difficult to sell a larger vision and its benefits to all the stakeholders. The transaction objectives changed from a raising of growth capital with minority dilution to a sale with shareholders relinquishing control.
- With more than 50 selling shareholders spanning various classes and jurisdictions (including the US, the EU, South-East Asia and India), navigating the process became complex. In addition, the financial sponsor was in the process of raising its first fund.

Our solution

- Grant Thornton Bharat conducted a thorough analysis of exit opportunities for shareholders and worked closely with the client's board to convince them on the consolidation approach and premiums attached to scale.
- We worked with four sets of legal counsels across the US and India to negotiate 8-10 transaction documents, including revised employment agreements and minority protection rights.
- We also ensured appointment of a paying agent for seamless disbursement of sale proceeds across jurisdictions.

The impact and value addition

Grant Thornton Bharat negotiated top-end SaaS valuation through a structured deal and preserved it despite the market environment in the US. It closely engaged with the fund to ensure that the larger consolidation opportunity was pitched appropriately to its LPs to preserve interest in the deal. We leveraged our 'one-firm' approach, tapped into multiple deal advisory offerings (transaction tax and valuations) and helped the client adhere to regulatory requirements.

Appendix



Technology service providers

Large-cap companies

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

Mid- and small-cap companies

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

BPO/KPO companies

Company name
Genpact
WNS
Exl Service Holdings
Firstsource Solutions
Hinduja Global Solutions
Datamatics Global Services

Enterprise Software / SaaS

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

Fund raising and M&A credentials



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

Digital Banking

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

KPO / Analytics

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

Cyber Security

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

Cloud & Data

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

Analytics & AI

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

Managed Training Services

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

Systems Integration

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

Product Development

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

GPS Mapping Solutions

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

Managed Services

Sector specialists



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