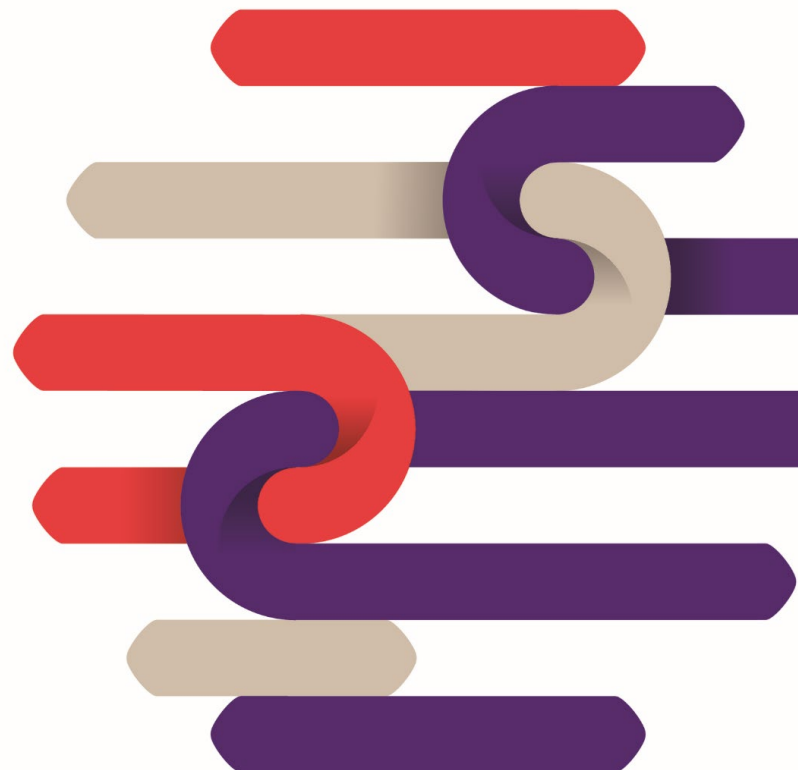


Dealtracker

Providing M&A and PE
deal insights

November 2021

Volume 17.10



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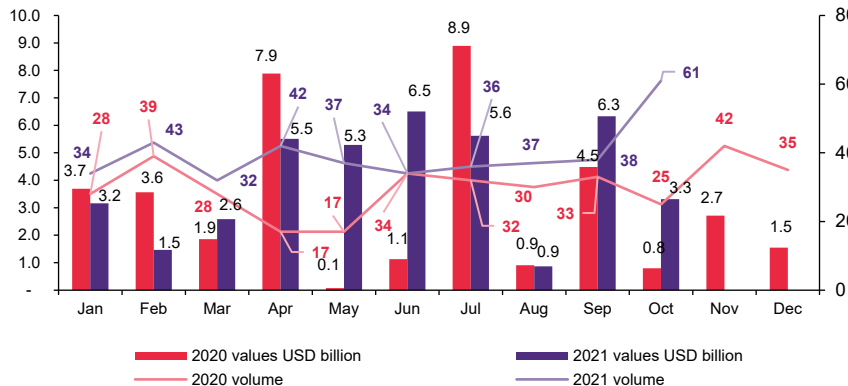
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Please note that the criteria used to define Indian start-ups include a) the company should have been incorporated for five years or less than five years as at the end of that particular year and b) the company is working towards innovation, development, deployment and commercialisation 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: Monica Kothari

Deal snapshot

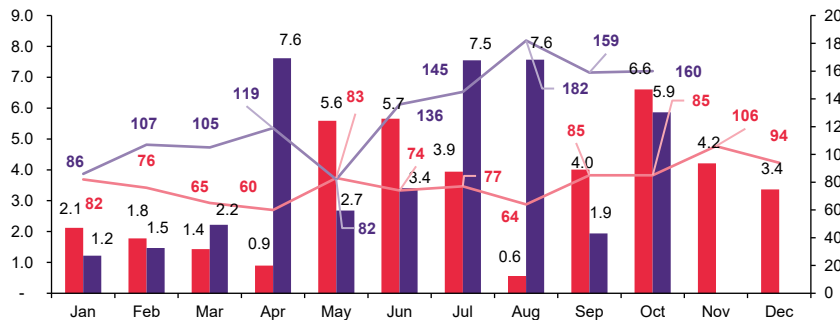
M&A snapshot



India Inc. recorded 221 deals aggregating to USD 9.2 billion in October 2021. While the volumes more than doubled in October 2020, values saw strong 24% increase. This month witnessed record volumes for any given month since 2005, surpassing the previous record registered in August 2021. Positive domestic business sentiment across sectors and global economic recovery continues to aid the overall deal trend.

The number of mergers and acquisition (M&A) transactions in October 2021 stand at 61, as compared to 25 deals in October 2020, marking the highest monthly deal volume since September 2015. While the value in case of 75% of the transactions were not disclosed, the disclosed value stood at USD 3 billion, primarily due to a marquee deal – Tata’s acquisition of Air India from Government of India for an aggregate value of USD 2.4 billion (73% of total M&A deal value). Domestic consolidation continued to dominate the M&A segment with 79% of M&A deal volumes. Compared with September 2021, although the volumes almost doubled, values fell by 48%.

PE snapshot



PE and venture capital (VC) firms continued the fund inflow into Indian markets recording 160 deals valued at USD 5.9 billion. The month witnessed 14 high value investments in new age companies including Tata’s EV subsidiary’s fund raise of USD 1 billion from marquee investors marking the first major fundraising by an Indian carmaker to push clean mobility. October 2021 also saw the birth of five new unicorns; this trend is likely to continue through the year.

The sector theme for the month continues to be tech, followed by education, retail and consumer, pharma and hospitality sectors. While M&A registered high value deals in the core sectors, such as aviation, pharma, banking and core IT, PE investments, on the other hand, witnessed a trend with all high-value investments flowing in start-ups and e-commerce companies majorly focusing on the fin-tech, health-tech, ed-tech, retail and auto-tech segments.

Shanthi Vijetha
 Partner, Growth
 Grant Thornton Bharat LLP

Monthly deal volumes highest with 221 deals in October 2021

	Deal summary			Volume			Value (USD million)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
October	Domestic	18	12	48	226	505	2,975		
	Cross-border	7	13	13	1,023	293	337		
	Merger and internal restructuring	4			290				
	Total M&A	29	25	61	1,539	798	3,312	↑ 144%	↑ 315%
	PE	71	85	160	2,654	6,604	5,863	↑ 88%	↓ 11%
	Grand total	100	110	221	4,193	7,402	9,175	↑ 101%	↑ 24%
	Cross-border includes								
Inbound	4	4	9	990	19	209			
Outbound	3	9	4	33	274	128			

	Deal summary			Volume			Value (USD million)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
YTD	Domestic	207	163	294	15,222	13,206	22,152		
	Cross-border	144	116	96	9,145	20,056	18,467		
	Merger and internal restructuring	11	4	4	1,340	20	20		
	Total M&A	362	283	394	25,708	33,282	40,639	↑ 39%	↑ 22%
	PE	669	751	1,281	26,180	32,574	41,528	↑ 71%	↑ 27%
	Grand total	1,031	1,034	1,675	51,888	65,856	82,167	↑ 62%	↑ 25%
	Cross-border includes								
Inbound	77	51	46	7,362	17,226	11,089			
Outbound	67	65	50	1,784	2,829	7,378			

India Inc. records 221 deals, 101% increase in deal volumes compared with October 2020

- Resumption of economic activity is manifesting through improving high frequency indicators, including e-way bills, GST collection, power demand, rail freight and exports growth, among others. Uptick beginning in services sector added to recovery. Amidst this, October for the Indian deal activity was extremely positive, both in terms of deal volumes (221 deals) and deal values (USD 9.2 billion). While volumes recorded 2x increase over October 2020, deal values saw a strong 24% increase.
- October 2021's total M&A transaction value stood at USD 3.3 billion across 61 deals, which is a multi-fold increase, both in terms of deal volumes and values compared with the deal activity in October 2020. M&A volumes were driven by domestic consolidation which constituted 79% of M&A volumes and 90% of values. Over 75% of deals during the month did not report the deal value, thereby not presenting the whole picture of overall deal values for the month.
- October 2021 witnessed PE funds inflow in Indian companies at USD 5.9 billion across 160 deals. While the investment volumes almost doubled compared with October 2020, investment values saw 11% decrease owing to reduced average deal size from USD 78 million in October 2020 falling to USD 37 million in October 2021. However, the month witnessed 14 high value investments, including Tata motors' EV subsidiary's fund raise of USD 1 billion.
- October 2021 recorded three fundraises via qualified institutional placement (QIP) at USD 164 million, compared with three in October 2020 worth USD 297 million. IPO, on the other hand, witnessed only one issue aggregating to USD 374 million, lowest both in terms of issue count and issue size in 2021.
- October 2021 witnessed a surge in deal activity both in terms of deal volumes at 221 deals and deal values with 11% increase compared with September 2021. While M&A volumes drove the overall deal volumes, over 3x increase in the PE investment values pushed the values for the month. October recorded two multi-billion-dollar deals, and 16 deals estimated and valued at and above USD 100 million each. Further, October 2021 recorded second highest monthly PE activity since 2005 with 160 investments aggregating to USD 5.9 billion.

YTD 2021: 62% increase in deal volumes with a strong 25% increase in deal values

- YTD 2021 witnessed over 1.6x surge in deal volumes with significant 25% increase in deal values. While PE deal volumes contributed to the overall increase in the deal activity, overall values were equally driven by both the segments. While YTD PE investments witnessed record activity both in terms of volumes and values, YTD M&A values were the second highest.
- The year so far saw 14 deals in the billion-dollar category and 126 deals estimated and valued at and above USD 100 million. These together accounted for 82% of the total deal values in 2021.

M&A: While start-up and IT sectors led the volumes, aviation sector topped the value chart

Key sectors

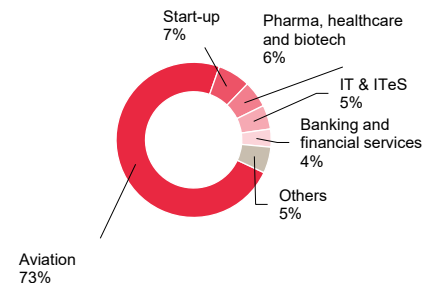
	Volume	USD million
Start-up	24	225
IT & ITeS	8	166
E-commerce	6	33
Hospitality and leisure	5	88
Pharma, healthcare and biotech	4	184

- In line with the current trend, start-up and IT sectors continued to drive M&A volumes with over half of M&A deals for the current month with aggregate value of USD 391 million. Consolidation dominated in the retail, food tech, software development and IT solutions segment, respectively, within the aforesaid sectors. The month also witnessed Thrasio style start-ups, such as Globalbees, 10club, Evenflow brands and UpScalio execute M&A deals.
- Driven by Tata's acquisition of Air India from the Government of India for USD 2.4 billion, aviation sector pushed M&A deal values for the month, aggregating to USD 3.3 billion. This is alone accounted for 73% of total M&A values. While this will be the first privatisation since 2003-04, Air India will be the third airline brand under Tata's table — it holds a majority interest in AirAsia India and Vistara, a joint venture with Singapore Airlines.
- Driven by the aftermath of the pandemic, the hospitality and leisure, pharma and healthcare, e-commerce, retail and consumer sectors continue to remain active together, sealing 32% of the M&A deals in the current month. Further, media and entertainment, agriculture, banking, education, manufacturing, professional services and telecom sectors witnessed one deal each during the month.

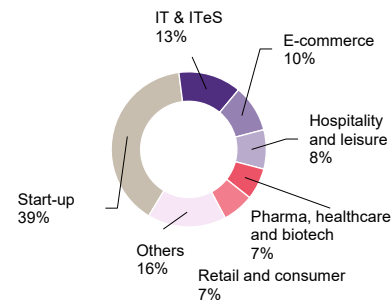
Top M&A deals of the month

Acquirer	Target	Sector	USD million	Deal type	% stake
Talace Pvt. Ltd.	Air India Limited	Aviation	2,432	Acquisition	100%
Dr. Lal PathLabs Ltd.	Suburban Diagnostics India Pvt. Ltd.	Pharma, healthcare and biotech	125	Acquisition	100%
Swiss Reinsurance Company Ltd.	Paytm Insuretech Pvt. Ltd.	Banking and financial services	124	Strategic stake	23%
Tech Mahindra Ltd.	Infostar LLC- Lodestone	IT & ITeS	105	Acquisition	100%
Indian Hotels Company Ltd. (IHCL)	Roots Corp. Ltd- Ginger Hotels	Hospitality and leisure	68	Increasing stake to 100%	40%

Top sectors based on deal value



Top sectors based on deal volume



PE: Start-ups and e-commerce sectors drove both volumes and values with 81% share

Key sectors

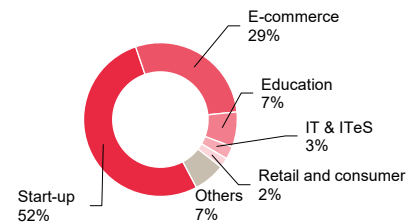
Notable sectors	Volume	USD million
Start-up	112	3,082
E-commerce	17	1,679
IT & ITeS	8	160
Education	5	432
Retail and consumer	4	124

- Indian start-up ecosystem witnessed fund inflow of USD 3.1 billion, as the month of October continues to remain and show positive funding momentum with 112 deals, a 70% share of the PE volumes. With this, the sector topped both the volume and values chart for the month. Further, start-up and e-commerce sector both contributed to 81% of PE volumes and values for the month, the rest were spread across 11 other sectors.
- October also saw the emergence of five new unicorns – CoinSwitch Kuber, Acko General Insurance (fin-tech); Faasos, Licious (food-tech), and Vedantu (ed-tech). The month also witnessed one of the largest Series A funding in the Indian start-up ecosystem with CredAvenue raising USD 90 million - a testament to the growing investor interest in new-age companies.
- October witnessed an interesting trend with only three sectors, including start-up, e-commerce and education, witnessing high-value investments of over USD 100 million in a particular month. IT, retail and consumer sectors also remained active with combined volume of 12 investments valued at USD 0.3 billion.

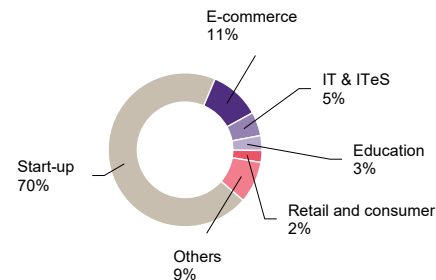
Top PE deals of the month

Investor	Investee	Sector	USD million	% stake
TPG Rise Climate and ADQ	Tata Motors Evolve To Electric Company	Start-up	1,014	N.A.
Fidelity Management And Research Company, B Capital Group, Footpath Ventures, Trifecta Capital, Good Capital, SoftBank Vision Fund 2, Prosus Ventures, and Facebook	Fashnear Technologies Pvt. Ltd.- Meesho	E-commerce	570	N.A.
Amansa Capital, ApaH Capital, Neuberger Berman, Janus Henderson, OrbiMed, Steadview Capital, ADQ and Sanne Group.	API Holdings Private Limited - Axelia Solutions Private Limited – Pharmeasy	E-commerce	350	N.A.
Edelweiss, IIFL, Oxshott Capital Partners, XN Exponent, Verition Master Fund, and Time Capital Advisors	Think & Learn Pvt. Ltd. - Byju's	Education	298	N.A.
a16z, Coinbase Ventures, Paradigm, Ribbit Capital, Sequoia Capital and Tiger Global	Bitcipher Labs LLP - CoinSwitch Kuber	Start-up	260	N.A.

Top sectors based on deal value



Top sectors based on deal volume



Deal of the month: M&A

Tata Sons acquires Air India from the Government of India for USD 2.4 billion

Sector: Aviation

Acquirer

Tata group is a global enterprise, comprising 30 companies across ten verticals. The group operates in more than 100 countries across six continents. In 2020-21, the revenue of Tata companies, taken together, was USD 103 billion. These companies collectively employ over 800,000 people. There are 29 publicly-listed Tata enterprises with a combined market capitalisation of USD 242 billion as on 31 March 2021.

Rationale

Tata group has emerged as the successful bidder of the divestment process of the national carrier Air India. Tata Sons, through its wholly-owned subsidiary Talace Pvt. Ltd, submitted a winning bid of USD 2.4 billion as the enterprise value of Air India.

The government had accepted an offer by Talace Pvt. Ltd. to pay USD 365 million in cash and take over USD 2.1 billion of the airline's debt. Tata will have to retain all employees of Air India for one year but can offer voluntary retirement scheme (VRS) in the second year.

Consequent to the acquisition, Tata will own 100% stake in Air India (a full-service airline operating in domestic and international markets) as also 100% in its subsidiary Air India Express (a low-cost carrier airline that focusses on short-haul international operations especially in the Middle East market) and 50% in the joint venture Air India SATS (airport services on ground and cargo handling) from the Government of India. The total permanent and contractual employee strength of Air India & AIXL is 13,500.

While this will be the first privatisation since 2003-04, Air India will be the third airline brand under Tata's table — it holds a majority interest in AirAsia India and Vistara, a joint venture with Singapore Airlines Ltd.

Target

Air India Limited is India's national airline, providing domestic and international air transport services for both passengers and cargo. It has international airline connecting to over 40 destinations and the airline's domestic network covers around 80 destinations. Air India, together with its subsidiaries Air India Express and Alliance Air, have a total fleet size of 172 aircraft.

Deal of the month: PE

TPG Group along with Abu Dhabi's ADQ, invest USD 1 billion in Tata Motors' new electric vehicle subsidiary

Sector: Start-up

Investor

TPG Rise Climate fund- takes a broad sector approach, ranging from growth equity to value-added infrastructure, and focuses on five climate sub-sectors- clean energy, enabling solutions, decarbonises transport, greening industrials and agriculture and natural solutions.

ADQ (Abu Dhabi Developmental Holding Company PJSC) has a diverse portfolio of major enterprises covering key sectors of Abu Dhabi's economy, including utilities, tourism and hospitality, aviation, transportation, logistics, industry, real estate, media, healthcare, agribusiness, and financial services.

Rationale

In a boost to its electric vehicle (EV) push, Tata Motors closed a deal to raise USD 1 billion from TPG Rise Climate and Abu Dhabi's ADQ. This is the first major fundraising by an Indian carmaker to push clean mobility.

The investment will be in a newly-formed subsidiary Tata Motors has formed for the EV business. The new investors will be issued compulsorily convertible preference shares (CCPS), which, upon conversion over an 18-month period, will give them 11-15% stake in the EV arm while the parent, Tata Motors will own the rest. The conversion will also be linked to certain pre-agreed revenue thresholds. It is expected that the first round of 50% capital infusion will be completed by March 22 and the entire funds will be infused by end of 2022.

The company will be a unit of Tata Motors and will leverage automakers' existing investments and capabilities and channel future investments into electric vehicles, dedicated battery electric vehicle platforms, advanced automotive technologies and catalyse investments in charging infrastructure and battery technologies, according to the statement.

Investee

Tata Motors' Evolve To Electric is a newly formed electric vehicle subsidiary that Tata Motors calls EvCo. It will undertake the passenger electric mobility business with Ziptron technology. It lets you fast charge the car in under 60 min. It keeps you in touch with the car through the app and puts the freedom of mobility in your hands with a charger that can be connected to any 15A plug point.

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