

Dealtracker

Providing M&A and
PE deal insights

March 2022

Volume 18.3



Disclaimer

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 basis 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, 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.

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Key highlights

The global economy was in a weaker position in the beginning of 2022 than previously expected due to the Omicron spread, which led countries to reimpose mobility restrictions and Russia's invasion of Ukraine. These developments have thrown the growth recovery into doubt as the ramifications of the COVID-19 pandemic over the last two years are still being felt worldwide. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated in many emerging markets and developing economies. While the world focuses on the supply chain disruption from the war in Ukraine, another disruption is taking place on the other side of the globe. The recent COVID-19 outbreak in China and Hong Kong has led to government-imposed restrictions. Amid all the global events, India continues to remain optimistic, driven by government incentives (corporate tax cut, product-linked incentive schemes), improving public spending, better capacity utilisation, exports, healthier corporate balance sheets, among other factors.

After logging a record-high deal activity and surpassing pre-COVID-19 levels in 2021, 2022 commenced on a positive note recording 608 deals aggregating to USD 13.3 billion. This translates to a significant 49% growth in the deal volumes and 9% increase in the deal values compared to January- March period of 2021. Despite the increased scrutiny from regulators, rising interest rates, global tensions and stock market and commodity volatility, Q1 2022 received increased attention from the dealmakers. The deal activity continues to be driven by both strategic and financial transactions.

Mergers and acquisitions (M&A) activity in the first quarter of 2022 recorded more than double the volumes registering 167 deals while values declined by 46% at USD 3.9 billion as compared to the corresponding period last year. While some strategic buyers were motivated by the plethora of available assets and low cost of capital, many jumped into the fray to stay competitive. Strategic deal makers raced to acquire both transformative capabilities and/or to expand. Big-ticket transactions in sectors, such as telecom, renewables and cleantech, insurance and manufacturing reflect the continued interest in consolidation.

25 large deals of at and over USD 100 million each and 99 deals valued between USD 10 – 99 million, coupled with a heightened focus on startups helped the Indian private equity (PE) funding ecosystem post a 92% increase in the investment values to USD 9.4 billion across 441 transactions in Q1 2022 compared with 299 deals aggregating to USD 4.9 billion witnessed in Q1 2021. Byju's USD 800 million fundraise led by Sumeru Ventures, Vitruvian Partners, BlackRock and Byju Raveendran, Founder and CEO of BYJU'S, was the largest deal recorded in Q1 2022.

Increasing demand for digital commerce, as the 'no touch' economy theme continues on the back of continued internet penetration and digital transformation of businesses, has led to global investors and strategic players showing a strong appetite for backing tech-enabled businesses. Following this, start-up, e-commerce, and IT sectors led the deal activity in Q1 2022 together, recording 479 deals valued at USD 8.5 billion. This is 79% of overall deal volumes and 64% of deal values. Only these three sectors notched up over USD 1 billion worth transactions in Q1 2022. However, we also witnessed high-value investments of over USD 100 million in education, telecom, manufacturing, pharma, banking, agriculture, retail, energy and real estate sectors.

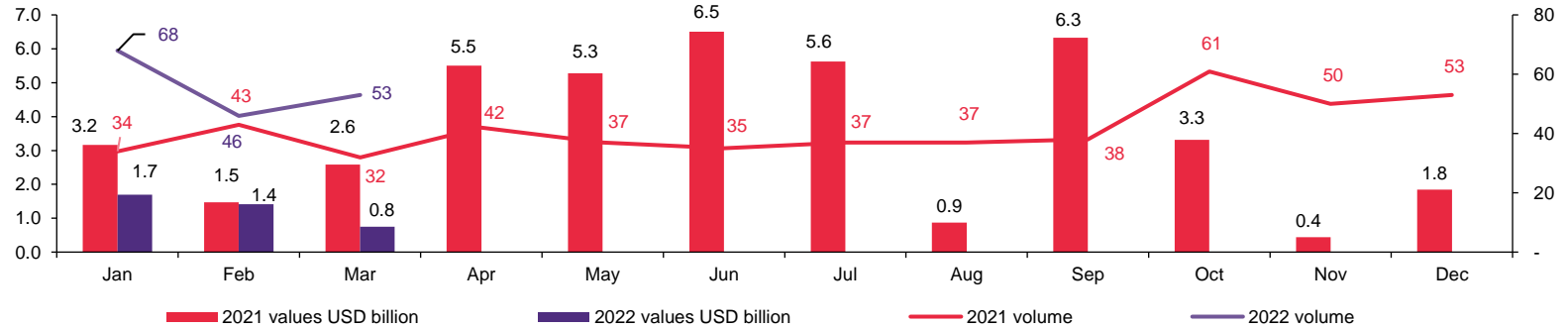
Despite headwinds from the pandemic and other uncertainties, dealmakers in India are notably optimistic about the prospects for a stronger economy in the current year and therefore, we expect the momentum of deal activity to continue in the coming months of 2022. In particular, demand for new technological capabilities and underlying innovation is anticipated to grow. This is likely to drive M&A deal-making. The start-up ecosystem is expected to continue strong in 2022, fueled by PE activity, with more new-age companies becoming unicorns. Many unicorns will continue to become serial acquirers, causing a wave of consolidation among new-age businesses.

Shanthi Vijetha

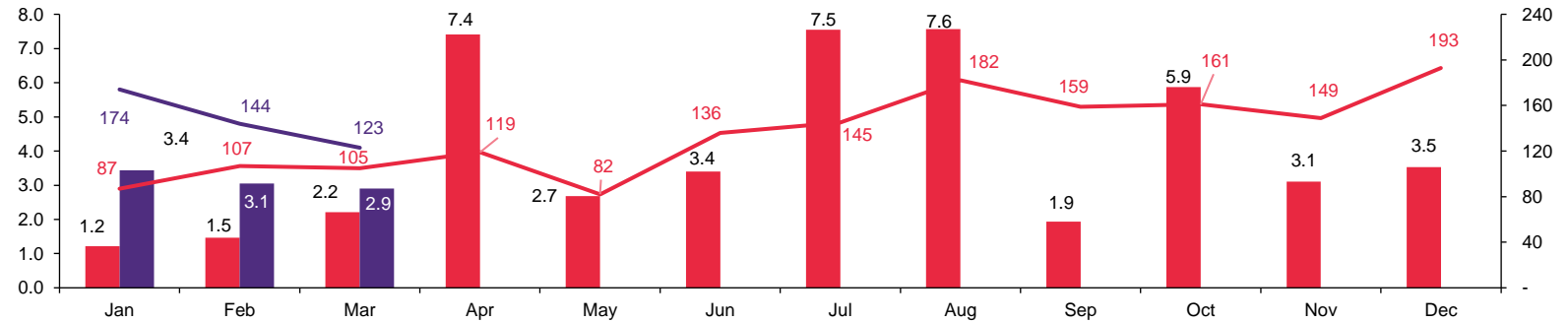
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Deal snapshot

M&A snapshot

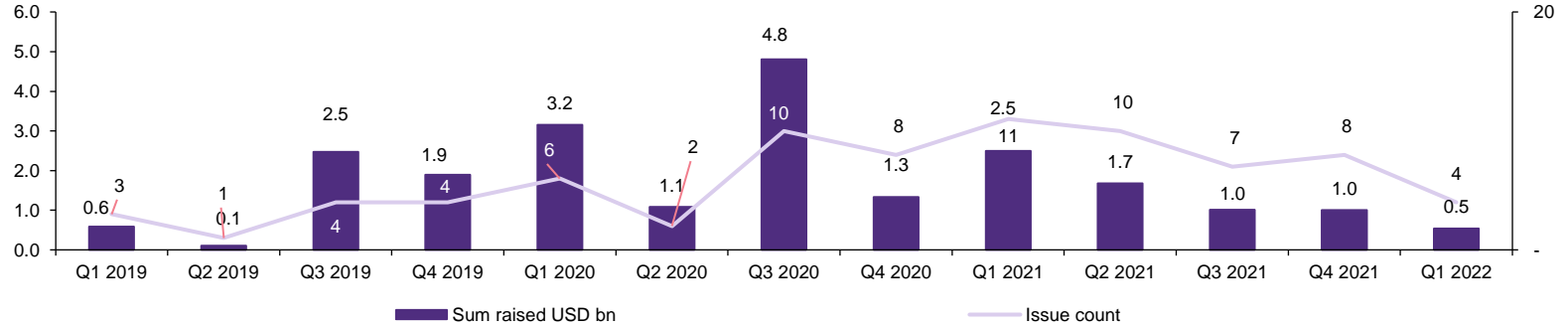


PE snapshot

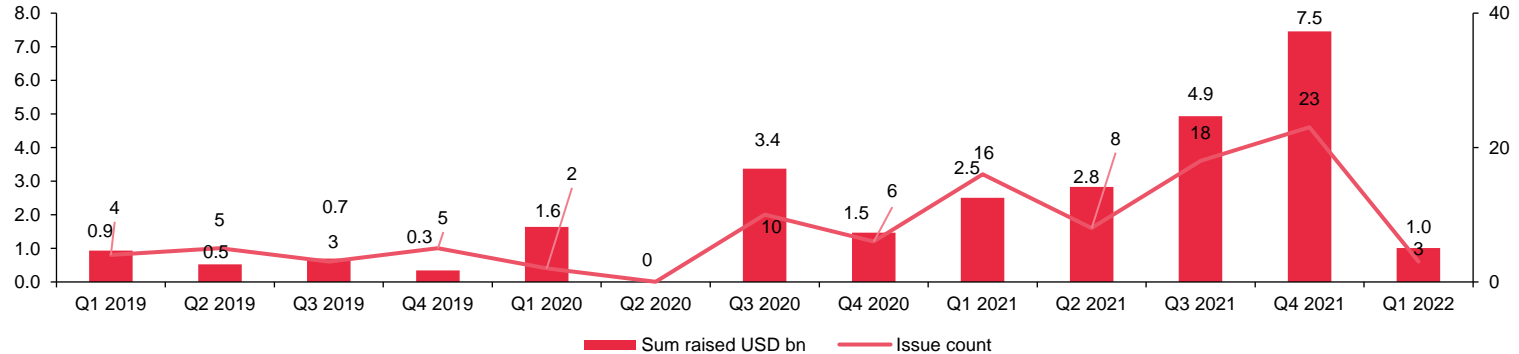


Deal snapshot (contd.)

QIP snapshot



IPO snapshot



Big ticket PE investments drove the overall deal values in Q1 2022

	Deal summary			Volume			Value (USD million)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
	Domestic	55	80	131	5,260	2,649	1,995		
Cross-border	40	29	36	3,850	4,561	1,863			
Total M&A	95	109	167	9,111	7,210	3,858	↑ 53%	↓ 46%	↑ 92%
PE	222	299	441	5,321	4,903	9,402	↑ 47%	↑ 92%	↑ 9%
Grand total	317	408	608	14,432	12,113	13,260	↑ 49%	↑ 9%	
Cross-border includes									
Inbound	20	14	18	3,418	2,908	952			
Outbound	20	15	18	432	1,653	911			

	Deal summary			Volume			Value (USD million)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
	Domestic	18	23	45	1,672	954	571		
Cross-border	10	9	8	186	1,630	180			
Total M&A	28	32	53	1,858	2,584	751	↑ 86%	↓ 71%	↑ 31%
PE	64	105	123	1,426	2,216	2,907	↑ 17%	↑ 31%	↑ 24%
Grand total	92	137	176	3,284	4,800	3,658	↑ 28%	↓ 24%	
Cross-border includes									
Inbound	4	5	3	160	123	23			
Outbound	6	4	5	26	1,507	157			

Q1 2022 witnessed y-o-y rise in overall-volumes and PE deal values

- External risks continued to rise for domestic markets with geopolitical events adding to the existing worries on tightening of liquidity by global central banks amid rising inflation. Amid volatility, INR depreciated against USD driven by concerns around geopolitical conflict potentially impacting crude prices. This is further expected to exacerbate the global supply chain disruption and lead to potential repercussions for industries with significant reliance on energy resources, the downstream energy-related sectors, automotive and electronics, among others. However, India remained optimistic as the COVID-19 conditions seemingly firmed and both the manufacturing and services PMIs ticked up in Q1 2022.
- In Q1 2022, India Inc. recorded 608 deals worth USD 13.3 billion, up from 408 deals worth USD 12.1 billion recorded in Q1 2021. While this represented a significant 49% increase in the deal volumes, values increased by only 9% compared with Q1 2021.
- Compared with Q4 2021 (October- December), Q1 2022 (January-March) witnessed fall in the overall deal activity, both in terms of deal volumes and values by 9% and 27%, respectively as Q4 2021 recorded two deals in the billion-dollar category and 39 deals valued at and over USD 100 million each compared to no deals and 35 deals, respectively, in Q1 2022.
- M&A deal volumes witnessed a significant 53% increase in deal volumes compared to Q1 2021, driven by 64% increase in the domestic deal volumes. While the volumes jumped more than half, the values dropped by 46% as Q1 2021 witnessed two deals valued over billion dollar aggregating to USD 3.9 and Q1 2022 did not. The drop in the values can also be attributed to around 70% of deals having undisclosed deal values.
- PE investment values, on the other hand, recorded USD 9.4 billion in Q1 2022 across 441 deals, the highest number of deals recorded in the opening quarter of any given year. This translated to a significant 92% increase in the deal values and 47% growth in deal volumes compared to the same period last year. The uptrend in the deal activity was on the back of 25 high-value investments valued at and over USD 100 million and 99 deals valued between USD 10–99 million, compared to only 13 and 65 such deals, respectively, witnessed in Q1 2021. The quarter also witnessed the emergence of 11 unicorns across tech-savvy sectors compared to only two unicorns created in Q1 2021.
- The first quarter of 2022 recorded only four Qualified Institutional Placement (QIP) issues of USD 541 million compared to 11 issues worth USD 2.5 billion witnessed in Q1 2021. Similar to the trend witnessed with QIP fundraising, initial public offering (IPO) recorded also recorded only three issues with a 60% fall in the issue size at USD 1 billion over Q1 2021, which saw 16 issues valued at USD 2.5 billion.

M&A dealboard: Q1 2022

Top 10 deals accounting for 6% of M&A deal volumes, constituted 60% of the total M&A deal values in Q1 2022

Top M&A deals of the quarter					
Acquirer	Target	Sector	USD million	deal type	% stake
Google International LLC	Bharti Airtel Limited	Telecom	700	Minority stake	1% Inbound
Tech Mahindra Limited	Com Tec Co IT Limited	IT and ITeS	350	Acquisition	100% Outbound
Reliance Retail Ventures Limited	Dunzo Digital Private Limited	E-commerce	200	Strategic stake	26% Domestic
Jio Platforms Limited	Glance Digital Experience Private Limited	Start-up	200	Minority stake	N.A. Domestic
Crompton Greaves Consumer Electricals Limited	Butterfly Gandhimathi Appliances Limited	Retail and consumer	186	Controlling stake	55% Domestic
Generali Participations Netherlands N. V.	Future Generali India Life Insurance Company Limited	Banking and financial services	167	Strategic stake	25% Inbound
Reliance New Energy Solar Limited	Faradion Limited	Energy and natural resources	136	Acquisition	100% Outbound
Reliance Retail Ventures Limited	Addverb Technologies Private Limited	Manufacturing	132	Controlling stake	54% Domestic
Reliance Retail Ventures Limited	Purple Panda Fashion Private Limited- Clovia.com	E-commerce	127	Majority stake	89% Domestic
Netcore Cloud Private Limited	Unbx Inc	IT and ITeS	100	Majority stake	N.A. Outbound

M&A sector spotlight: Start-up sector dominated volumes, whereas IT sector led the values

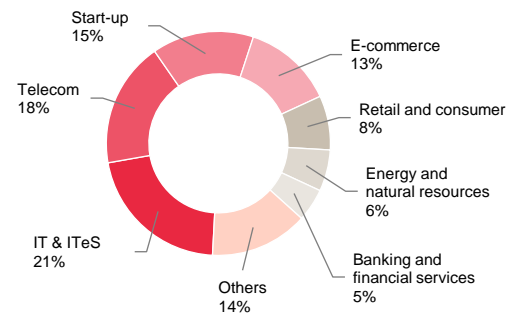
Key sectors

Notable sectors	Volume	USD million
Start-up	58	567
IT and ITeS	34	825
E-commerce	24	504
Retail and consumer	11	302
Hospitality and leisure	5	118
Manufacturing	4	155

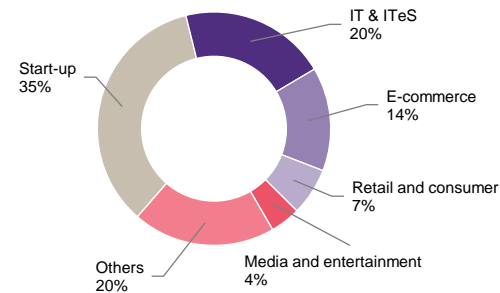
Notable sector trends

- With 35% of M&A deal volumes, the start-up sector continued to dominate M&A deal activity with 58 deals valued at USD 567 million in Q1 2022. Retail tech segment led the sector volumes with 24% followed by edtech, enterprise applications and infrastructure and fintech together accounting for 36% of sector volumes.
- Driven by Google's USD 700 million acquisition of 1.28% stake in Bharti Airtel, the telecom sector accounted for 18% of the M&A value, for Q1 2022. The sector witnessed only one deal, which also makes this the top deal for the quarter.
- Driven by Tech Mahindra's USD 350 million acquisition of CTC followed by Netcore's majority stake acquisition in Unbxd Inc for USD 100 million, IT sector topped the M&A value chart for Q1 2022 recording 34 deals valued at USD 825 million. The sector was dominated by deals in the IT solutions (53% of IT sector volumes) followed by software development segment with 32% of IT sector volumes.
- The quarter also witnessed high-value acquisition of over USD 100 million in the start-up (data analytics and AI), retail and consumer (consumer durables), e-commerce (on-demand services and retail), banking (insurance and TPAs), energy (Cleantech) and manufacturing (Industrial Materials) sectors. These high-value deals helped drive sector values for the quarter.
- The quarter witnessed Reliance group of companies execute eight deals across seven sectors; Curefoods execute six deals, all in the direct-to-consumer food brands; Thrasio style companies, such as Upscalio sealed five deals in the retail segment and Evenflow and Mensa brands also sealed four deals each. The good Glamm Group, too, recorded four deals across start-up, media and entertainment and retail sectors. Further, Shiprocket and IndiaMART also recorded four deals each with an aim to expand globally and build synergies.
- In addition to start-up, IT and e-commerce sectors, retail, media and entertainment, education and hospitality and leisure sectors also witnessed active deal activity accounting for 17% of M&A deal volumes during the first quarter of 2022.

Top sectors based on deal value



Top sectors based on deal volume



PE dealboard: Q1 2022

Top 11 deals accounting for 2% of PE deal volumes, constituted 39% of the total PE deal values in Q1 2022

Top PE deals of the quarter				
Investor	Investee	Sector	USD million	% stake
Sumeru Ventures, Vitruvian Partners, BlackRock and Angel Investor	Think & Learn Private Limited- Byju's	Education	800	N.A.
Invesco, Baron Capital Group, Sumeru Venture, IIFL AMC Late Stake Tech Fund, Kotak, Axis Growth, Sixteenth Street Capital, Ghisallo, Smile Group, Segantii Capital, Prosus Ventures, Alpha Wave Global, QIA and ARK Impact	Bundl Technologies Private Limited- Swiggy.com	E-commerce	700	N.A.
Blackstone, TPG Growth, ChrysCapital, Investcorp and Norwest Venture Partners	BusyBees Logistics Solutions Private Limited- Xpressbees	E-Commerce	300	N.A.
SoftBank, Goldman Sachs and Prosus Ventures	NTex Transportation Services Private Limited- ElasticRun	E-Commerce	300	N.A.
Brookfield Asset Management	Jindal Poly Films Limited- packaging films business	Manufacturing	267	25%
Ward Ferry, Tiger Global and Alpha Wave Global	Mogli Labs (India) Private Limited- Moglix	E-commerce	250	N.A.
National Investment and Infrastructure Fund-II, Premji Invest and undisclosed investors	BrainBees Solutions Private Limited- Firstcry	E-commerce	240	N.A.
Greenoaks Capital, ICONIQ Strategic Partners, D1 Capital Partners, Steadview Capital, Avenir Zetwerk Investors, and Lightspeed Venture Partners, among others	Zetwerk Private Limited	Start-up	210	N.A.
Warburg Pincus	Micro Life Sciences Private Limited- Meril Group	Pharma, healthcare and biotech	210	N.A.
Tekne Private Ventures, Alpine Opportunity Fund, Edelweiss and others	Ola Electric Mobility Private Limited	Start-up	200	N.A.
Alpha Wave, Tiger Global, Norwest Venture Partners, Matrix Partners and Creation Investments	Oxyzo Financial Services Private Limited	E-Commerce	200	N.A.

PE sector spotlight: Start-ups and e-commerce dominated volumes and values, respectively, followed by IT and education

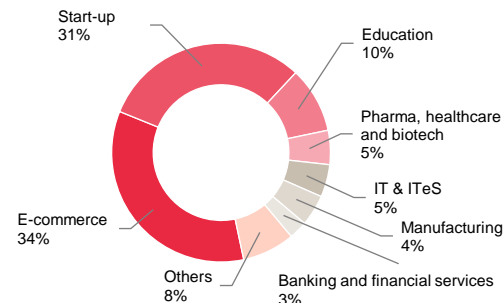
Key sectors

Notable sectors	Volume	USD million
Start-up	283	2,899
E-commerce	60	3,240
IT and ITeS	20	452
Retail and consumer	15	187
Education	11	917
Pharma, healthcare and biotech	11	475

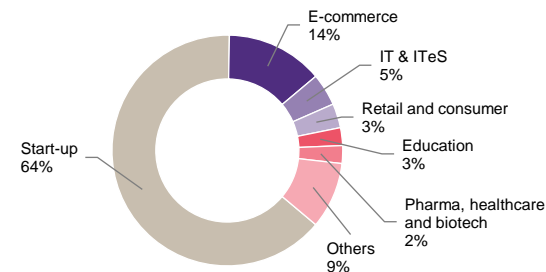
Notable sector trends

- Q1 2022 recorded 283 investments in the start-up sector with investments worth USD 2.9 billion leading the PE sector chart in terms of deal volumes. Retail, tech and fin tech segments led the investment volumes in the start-up sector with 18% each followed by the enterprise application infrastructure segment with 12% and edtech and health tech with 7% each. Agri-tech, auto tech, media tech, gaming and travel, transport and logistics platform segments also remained active during the quarter.
- The quarter witnessed the emergence of 11 unicorns** - GlobalBees (a start-up, which is the second Thrasio-styled start-up to turn into a unicorn after Mensa Brands), LEAD school (Education), Darwinbox (IT and ITeS), Mamaearth (e-commerce), Xpressbees (e-commerce logistics), ElasticRun (app-driven logistics and distribution company), Livspace (interior design marketplace), Dealshare (retail tech) and Perfios (data analytics, big data and AI), Oxyzo Financial Services (fin tech) and Credavenue (fin tech).
- Q1 2022 witnessed debut investments by foreign players in India** - (1) March Gaming's investment in Rooter sports (media and entertainment); (2) Healthcare-focused MBX Capital's investment in smiles.ai (start-up); (3) AngelList Early-Stage Quant Fund's investment in NovaBenefits (start-up); (4) Octave Ventures's investment in TRST01 (start-up) and (5) IDH FarmFit's investment in Stellapps (IT and ITeS).
- Driven by 10 high-value investments of at and over USD 100 million, the e-commerce sector led the investment values capturing 34% of PE values during Q1 2022, garnering investments worth USD 3.2 billion across 60 deals.
- Apart from the start-up and e-commerce sectors, IT, retail and consumer, education, pharma and banking sectors remained active during the first quarter of 2022 garnering USD 2.3 billion worth of investments constituting 15% of PE investment volumes. Besides these sectors, manufacturing, real estate and agriculture sectors also witnessed a high-value investment of over USD 100 million.

Top sectors based on deal value



Top sectors based on deal volume



Deal of the quarter: M&A

Google acquires 1.28% stake for USD 700 million in Bharti Airtel

Sector: Telecom

Acquirer

Google LLC is an American multinational technology company that specialises in internet-related services and products, which include a search engine, online advertising technologies, cloud computing, software and hardware.

Target

Bharti Airtel Limited is a leading global telecommunications company with operations in 18 countries across Asia and Africa. The company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed home broadband, DTH, enterprise services including national and international long-distance services to carriers.

Rationale

Google announced a long-term agreement that would entail the American internet giant investing USD 700 million for 1.28% stake in Bharti Airtel, in addition to up to USD 300 million towards potential multi-year commercial agreements.

This is the tech giant's second investment in an Indian telecom service provider (after Reliance Jio) and is part of its USD 10 billion India digitisation fund.

The investment will help Airtel develop its devices, home broadband, data centres, cloud adoption and, over a period, develop 5G networks. The other two areas of collaboration are 5G and cloud. Both companies will potentially co-create India-specific network domain use cases for 5G and other standards. Airtel uses Google's 5G-ready evolved packet core and software defined network platforms.

Deal of the quarter: PE

BYJU'S raises USD 800 million in funding round led by its founder

Sector: Education

Investor

The consortium of investors included: **Sumeru Ventures, Vitruvian Partners and BlackRock along with its founder and CEO Byju Raveendran.**

Investee

Think & Learn Private Limited- Byju's is a global edtech company, providing highly adaptive, engaging and effective learning solutions to more than 150 million students around the world. Its annual renewal rate is 86% and its net promoter score (NPS) stands at 76. The company's geography-agnostic solutions and more than 12,000 teachers make learning engaging, with visual and contextual programs that adapt to the unique learning style, skill level and pace of each student.

Rationale

Byju's has raised USD 800 million in fresh funding as part of a pre-IPO round. The round was led by founder and CEO Byju Raveendran, who contributed USD 400 million in his personal capacity, which is half of the total funding amount. With this, Raveendra's stake in the firm has increased to 25 percent from 22.55 percent.

Other backers in the funding round include, Sumeru Ventures, Vitruvian Partners and BlackRock. The company has raised fresh funds at an enterprise value of USD 22 billion, which has increased by about 22% from the last disclosed valuation of USD 18 billion.

The investment comes at a time when the company is gearing to come up with its initial public offer in the next 9-12 months.

Commenting on the fundraiser, Raveendran said, "We continue to witness accelerated growth in India and international markets through both organic and inorganic routes. Our sustained focus is on achieving our long-term goals around creating life-long value for our learners. Our aspiration is to build something that will last for decades. Further, we will continue to invest in multiple learning models to provide students with quality education across the world."

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