

Dealtracker

Providing M&A and PE deal insights

April 2022

Volume 18.4



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.

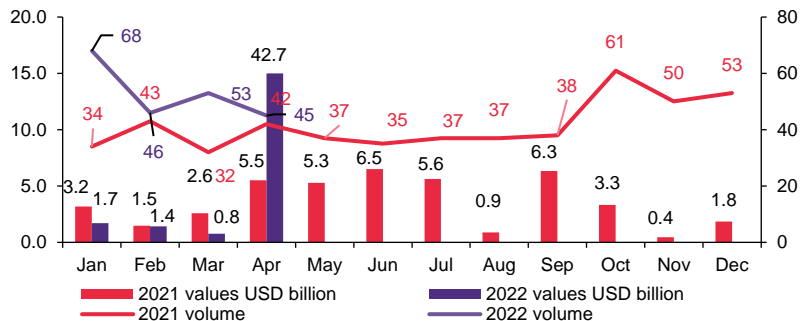
Please note that the criteria used to define Indian start-ups include: a) the company should have been incorporated for five years or less than five years as at the end of that particular year, and b) the company is working towards innovation, development, deployment and commercialisation of new products,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

M&A snapshot



The war in Ukraine has triggered a slowdown in global growth in 2022. Geopolitical instability is now cited as the top risk to both, the global and domestic, economies. Amid this, deal-making has not slowed down. India Inc recorded 183 deals aggregating to USD 46.3 billion.

The month witnessed India's largest private lender HDFC Bank buying its biggest shareholder in a USD 40 billion deal, the biggest deal ever in the country, creating a financial services behemoth. Further, Axis Bank's acquisition of Citibank's India consumer business could also encourage banks to turn to M&As to narrow the market-share gap by tapping the rising demand for credit. On the flip side, the month also witnessed Reliance Group calling off the USD 3.3 billion deal with Future Group after secured creditors voted against the resolution, and the Future Group now faces the prospect of a bankruptcy process.

The HDFC deal inflated the deal values for the month of April with the month witnessing over a 676% increase in the M&A deal values recorded across 45 deals. While the values were at an all-time high, volumes saw a seven-month low. Further, over 62% of deals did not disclose the deal values. In contrast to previous months, cross-border deal activity witnessed an uptrend recording 16 deals worth USD 2.3 billion.

Private equity investments recorded USD 3.6 billion across 138 deals. While the values dropped by more than half compared to April 2021, owing to the absence of big-ticket investments, volumes recorded a 16% increase. The month witnessed the largest funding round by an Indian company this year with Dailyhunt's parent raising USD 805 million.

The year so far saw two multi-billion-dollar deals and 46 deals estimated and valued at and above USD 100 million. These together accounted for 88% of the total deal values with only 6% of deal volumes in 2022.

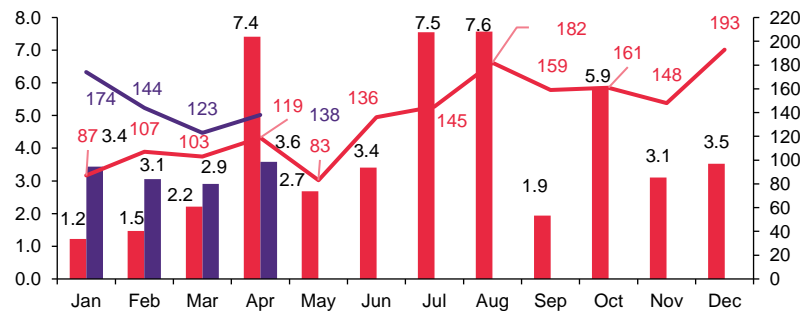
Start-up, IT, banking and media sectors dominated the deal activity both in the M&A and PE segment in terms of both deal volumes and deal values in the month of April. E-commerce, real estate and transport and logistics also witnessed high-value deals apart from the aforesaid sectors.

While the geopolitical concerns and rising global inflation could likely cloud the near-term growth prospects, various domestic macro factors such as tax revenue growth, improvement in consumption and industrial high-frequency indicators, etc. remain supportive of the economic growth and positive news for deal-making.

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PE snapshot



Month witnessed record deal values with a 14% growth in deal volumes

	Deal summary			Volume			Value (USD million)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
April 2022	Domestic	8	34	29	2,013	5,041	40,381		
	Cross-border	9	8	16	5,871	467	2,352		
	Total M&A	17	42	45	7,884	5,508	42,733	↑ 7%	↑ 676%
	PE	60	119	138	894	7,410	3,588	↑ 16%	↓ 52%
	Grand total	77	161	183	8,778	12,918	46,321	↑ 14%	↑ 259%
Cross-border includes									
	Inbound	4	2	9	5,832	90	42		
	Outbound	5	6	7	39	377	2,310		

	Deal summary			Volume			Value (USD million)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
YTD 2022	Domestic	63	114	160	7,274	7,690	42,376		
	Cross-border	49	37	52	9,721	5,029	4,215		
	Total M&A	112	151	212	16,995	12,719	46,591	↑ 40%	↑ 266%
	PE	281	416	579	6,212	12,307	12,990	↑ 39%	↑ 6%
	Grand total	393	567	791	23,207	25,026	59,581	↑ 40%	↑ 138%
Cross-border includes									
	Inbound	24	16	27	9,251	2,998	994		
	Outbound	25	21	25	470	2,031	3,221		

While M&A transactions drove the deal values, both M&A and PE witnessed growth in deal volumes driving overall deal activity

- Global economic prospects have worsened significantly, largely because of Russia's invasion of Ukraine. This crisis unfolded while the global economy was on a mending path but had not yet fully recovered from the COVID-19 pandemic, with a significant impact on the economic recoveries of advanced economies and emerging markets. In addition to the war, frequent and wider-ranging lockdowns in China's key manufacturing hubs, have also slowed activity there and could cause new bottlenecks in global supply chains.
- Amid this, in April 2022, India Inc. recorded 183 deals worth USD 46.3 billion. Deal values in April 2022 were driven by HDFC Bank and HDFC Ltd.'s merger valued at USD 40 billion. This deal was the largest deal recorded to date. Barring this deal, the overall deal values saw over 51% drop compared to April 2021 owing to only one deal in the billion-dollar category and 10 deals valued over USD 100 million each compared with three and 20 such deals respectively recorded in April 2021. Compared with March 2022, the overall deal volumes witnessed 4% growth while values increased 12.5 times. Barring the USD 40 billion deal (HDFC merger), values still recorded a 73% increase owing to increased high-value transactions compared to March 2022.
- M&A deal volumes witnessed a 7% increase compared to April 2021 while values jumped by over seven times. Barring the USD 40 billion deal (HDFC merger), the values recorded a 50% fall over April 2021. April 2022 recorded 45 M&A deals which is a seven-month low valued at USD 42.7 billion. Both cross-border deal volumes (100%) and deal values (403%) saw significant growth compared to the same period last year.
- PE investment values recorded USD 3.6 billion in April 2022 across 138 deals, the highest monthly volumes recorded in April. However, there was a 52% decline in the investment values and a 16% growth in investment volumes compared with April 2021. The drop in the investment values was on the back of 15 high-value investments valued at over USD 100 million including one multi-billion-dollar deal witnessed in April 2021, compared to only eight such deals witnessed in April 2022. The month also witnessed the emergence of only one unicorn compared to five unicorns seen in April 2021.

YTD 2022: Record deal values with a strong 40% increase in deal volumes

- YTD 2022 recorded nine initial public offerings (IPO) with an issue size of USD 2 billion compared to 18 IPOs issues, raising USD 2.9 billion in YTD 2021. Similarly, qualified institutional placement (QIP), on the other hand, saw six issues raising USD 671 million compared to 14 issues raising USD 3 billion in the same period last year.
- YTD 2022 witnessed a 40% increase in deal volumes with over 1.6x times the surge in deal values. While PE deal volumes contributed to the overall increase in the deal volumes, deal values were driven by M&A deal values. YTD PE investments witnessed record activity both in terms of volumes and values with 39% and 6% from the previous record, respectively.

M&A: Start-up sector dominated volumes, whereas the banking sector captured values

Key sectors

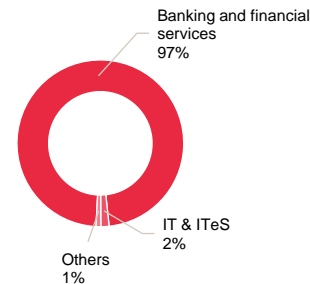
Notable sectors	Volume	USD million
Start-up	16	76
IT & ITeS	9	678
Banking and financial services	4	41,659
Media and entertainment	3	12
Transport and logistics	3	225
Education	2	44

- With 35% of M&A deal volumes, the start-up sector continued to dominate the M&A deal activity with 16 deals valued at USD 76 million. The retail tech and enterprise application and infrastructure segment led the sector volumes with 25% each followed by fintech with three deals.
- Driven by a largest deal till date with the merger of HDFC Bank and HDFC Ltd for a deal value of USD 40 billion, banking sectors dominated 97% of overall deal values during the month. This deal is not only the largest in India but the largest banking sector M&A deal globally since April 2007. Apart from this, the month also witnessed one other multi-billion-dollar deal in the banking segment with Axis Bank's acquisition of Citicorp's Indian consumer businesses for USD 1.6 billion.
- Apart from mentioned deals, other high-value acquisitions of over USD 100 million were witnessed in the IT & ITeS (IT solutions) and transport and logistics (ports & terminals) sectors. These high-value deals helped drive sector values for the month.
- As start-ups continue their acquisition spree, the month witnessed Nykaa execute three acquisitions, all in the retail segment.
- Compared to the previous month, sectors such as agriculture, banking, professional services, real estate and transport and logistics that saw muted deal activity in March 2022 remained active in April 2022

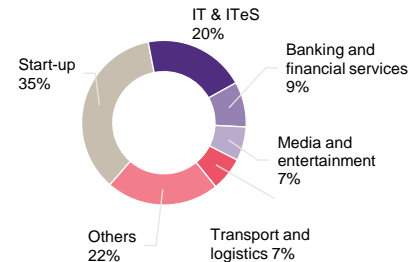
Top M&A deals of the month

Acquirer	Target	Sector	USD million	Deal type	% stake
HDFC Bank Ltd	HDFC Ltd	Banking and financial services	40,000	Merger	100%
Axis Bank Ltd	Citicorp Finance (India) Limited- Indian consumer businesses	Banking and financial services	1,643	Acquisition	100%
Wipro Ltd	Rizing Intermediate Holdings, Inc	IT & ITeS	540	Acquisition	100%
Adani Ports and Special Economic Zone L imited	Ocean Sparkle Ltd	Transport and logistics	207	Acquisition	100%
Cyient Ltd	Citec Group Oy Ab	IT & ITeS	107	Acquisition	100%

Top sectors based on deal value



Top sectors based on deal volume



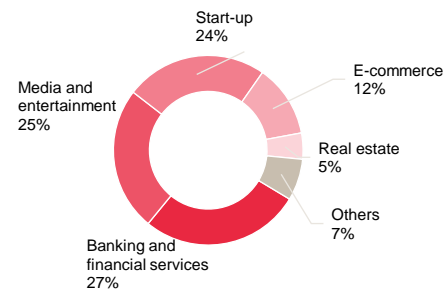
PE: While start-ups and e-commerce dominated volumes, the banking and media sectors drove values

Key sectors		
Notable sectors	Volume	USD million
Start-up	98	869
E-commerce	12	444
Banking and financial services	6	980
IT & ITeS	4	80
Media and entertainment	3	881
Real estate	2	160

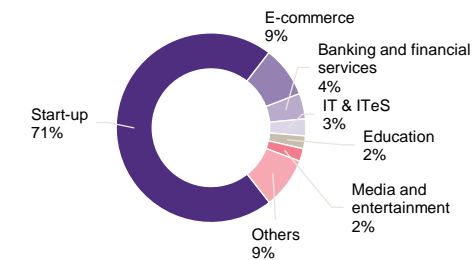
- The start-up sector continued to drive the PE deal volumes for April 2022 with a 71% share of PE volumes with investment values of USD 0.9 billion. The fintech segment led the investment volumes in the start-up sector with 19%, followed by retail tech with 16% and enterprise application and infrastructure at 11%. While the previous month (March 2022) witnessed muted deal activity in the agritech, cleantech, data analytics & AI, and discovery platforms, this month witnessed 16% of the sector deal volumes in these segments.
- Contrary to the previous three months that witnessed the emergence of four, five and two unicorns respectively, April 2022 witnessed the birth of only one unicorn with Play Games24x7's USD 75 million funding round. With this Play Games24x7 has become the third startup unicorn in the online gaming space, after Dream 11 and Mobile Premier League.
- The month also witnessed marquee investment in the media and entertainment sector with Ver Se Innovation's USD805 million series J funding round, making it the largest funding round this year. Nithia Capital's acquisition of stressed Crest Steel And Power Private Limited has been completed under an insolvency process in partnership with Amalgam Steel Pvt Ltd in the manufacturing sector. Wiz Freight and Pixxel witnessed large Series A funding rounds in the Indian logistics and space technology respectively.
- The month witnessed eight high-value investments of USD 100 million and above across five distinct sectors ranging from media, banking, e-commerce, start-up and real estate.

Top PE deals of the month				
Investor	Investee	Sector	USD million	% stake
CPPIB, Ontario Teachers Pension Plan Board, Luxor Capital, Sumeru Ventures, Sofina Group, Baillie Gifford, and others	Ver Se Innovation Pvt Ltd	Media and entertainment	805	N.A.
Bain Capital	IIFL Wealth Management Ltd	Banking and financial services	486	25%
KKR	Shriram General Insurance Co. Ltd	Banking and financial services	243	10%
Swiggy, TVS Motor Company, Westbridge, Shell Ventures and Nexus Ventures	Roppen Transportation Services Pvt Ltd - Rapido	E-commerce	180	N.A.
Pantera Capital, Steadview Capital, Kingsway, DraperDragon, Republic, Kindred Ventures, B Capital, Coinbase Ventures, Polychain Capital, and Cadenza Capital	Neblio Technologies Pvt. Ltd- CoinDCX	Start-up	136	N.A.

Top sectors based on deal value



Top sectors based on deal volume



Deal of the month: M&A

HDFC Ltd. merges with HDFC Bank creating an Indian lending behemoth in a USD 40 billion deal

Sector: Banking and financial services

Acquirer

HDFC Bank Ltd. is a leading private bank. It offers a range of financial products and banking services through a growing branch, ATM network and digital channels. The bank's services include working capital finance, trade services, transactional services and cash management. They also focus on foreign exchange and derivatives, local currency money market and debt securities and equities.

Target

Housing Development Finance Corporation Limited (HDFC Ltd.) pioneered housing finance in India and has assisted 6.6 million Indians in owning a home of their own thus far. They have an extensive distribution network of 474 inter-connected offices, which caters to over 2,400 towns and cities across the country. They have three representative offices in Dubai, London and Singapore offering home loan products to non-resident Indians and persons of Indian origin.

Rationale

India's largest private lender, HDFC Bank, is buying its biggest shareholder in a USD 40 billion deal, the country's biggest ever, creating a financial services titan to better tap the rising demand for credit.

"The merger makes the combined entity strong enough not only to counter competition but to make the mortgage offering even more competitive," said Deepak Parekh, chairman of Housing Development Finance Corp. Ltd (HDFC).

According to the merger terms, shareholders of the mortgage lender will receive 42 equity shares of HDFC Bank for every 25 shares they hold. HDFC's current stake of 21% in the bank will be extinguished and HDFC Bank will be fully owned by public shareholders. Existing shareholders of the mortgage lender will own 41% of the bank after the merger.

The merger, expected to close in 18 months, would significantly widen the bank's lead over rival private sector peers ICICI Bank Ltd. and Axis Bank Ltd. in terms of total assets.

Deal of the month: PE

Dailyhunt's parent VerSe Innovation raises USD 805 Mn led by CPPIB at USD 5 Bn valuation

Sector: Media and entertainment

Investor

The consortium of investors included: **Canada Pension Plan Investment Board, Ontario Teachers Pension Plan Board, Luxor Capital, Sumeru Ventures, Sofina Group, Baillie Gifford, and others**

Investee

VerSe Innovation Pvt Ltd. is a local language technology company that develops a discovery platform to consume and socialise with media. Its platform facilitates the curation of content and tracks user preferences through its vertical search and recommendation tools that provide users with personalised content and notifications. VerSe Innovation's proprietary technology platform powers 350 million+ users to consume content in their local language on Dailyhunt.

Rationale

VerSe Innovation has raised USD 805 million in its series J round led by global investors Canada Pension Plan Investment Board (CPP Investments), Ontario Teachers' Pension Plan Board (Ontario Teachers'), Luxor Capital, Sumeru Ventures, and others.

Existing investors Sofina Group, Baillie Gifford, and others also participated north of their pro-rata in this round, resulting in VerSe Innovation's valuation reaching USD 5 billion. CPP Investments has alone put USD 425 million in this financing round.

The investment will be focused on strengthening the company's leadership position as the largest, fastest-growing local language AI-driven content platform in the country. The company also has been planning to expand its offerings, and monetisation models, foray into Web 3.0 experiences and create an IPO scale business. Avendus Capital was the exclusive financial advisor to VerSe Innovation on the transaction.

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