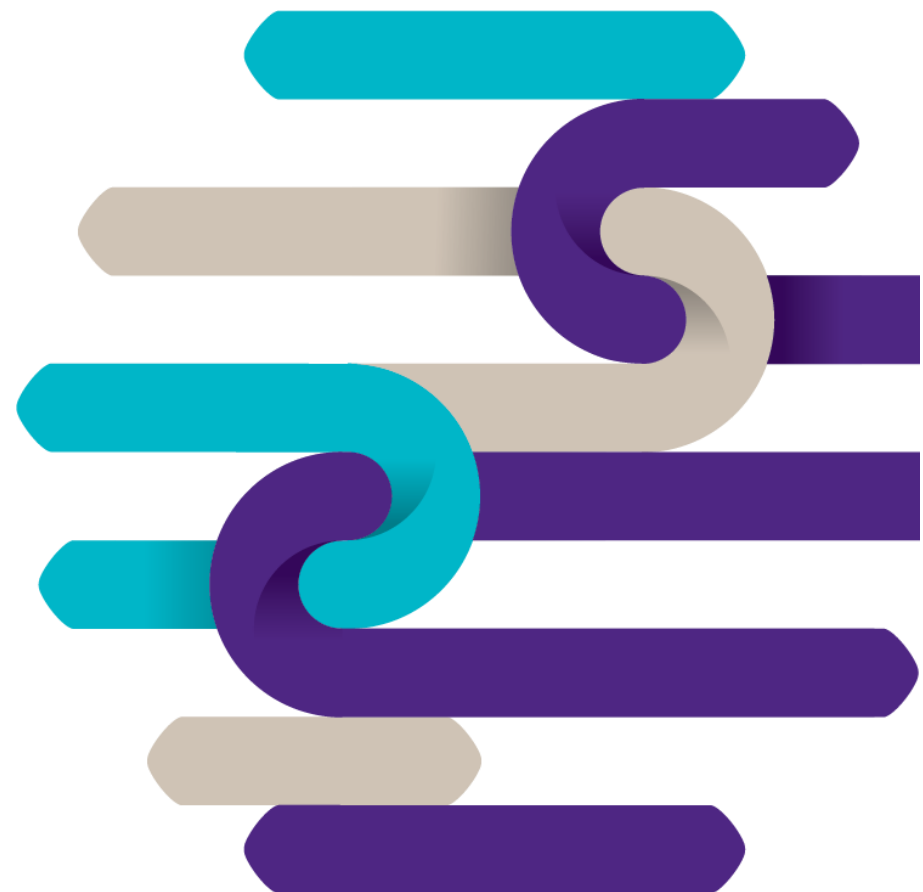


Dealtracker

Providing M&A and private
equity deal insights

Half-yearly issue (H1 2020)
Volume 16.6



Disclaimer

This document captures the list of deals announced based on the information available in the public domain. Grant Thornton India LLP does not take any responsibility for the information, any errors or any decision by the reader based on this information. This document should not be relied upon as a substitute for detailed advice and hence, we do not accept responsibility for any loss as a result of relying on the material contained herein. Further, our analysis of the deal values is based on publicly available information and appropriate assumptions (wherever necessary). Hence, if different assumptions were to be applied, the outcomes and results would be different.

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.

Authors:

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Foreword



Prashant Mehra

Partner
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In these unprecedented times, key markets have witnessed a downward trend, which inevitably had an impact on the overall deal activity globally as well as in India. The COVID-19 pandemic has emerged as the 'black swan event' and will require extraordinary measures from governments along with financial institutions across the globe to help resume and stabilise economic activity. Based on the probability of the pandemic coming under control, several economic scenarios indicate global recession of varying magnitudes. The situation has hit the Indian economy at a time when growth has slowed to the lowest level in a decade. The impending virus is likely to severely impact the recovery process.

Amid the highly uncertain situation, India Inc. recorded around 600 deals worth USD 36.5 billion. This was a hike of 15% in the deal values despite marginal fall in volumes compared with H1 2019. Relative to the shrunken size of the mergers and acquisitions (M&A) pie, private equity (PE) is still maintaining its big slice of deals and is likely to grow. While the big boys of India Inc. like Reliance Industries Limited, Bharti Airtel, Kotak Mahindra Bank and Adani Group are cruising through the lockdown period with ease, small-cap and mid-cap companies are facing severe cash flow and valuation issues. However, to tide over the liquidity crisis created by the COVID-19 pandemic, Securities and Exchange Board of India (SEBI) has eased capital raising norms for listed companies. The relaxations provide a good opportunity to promoters and investors who are looking at increasing their stake at attractive valuations.

The silver lining is Reliance Jio Platform's USD 15.2 billion fund raise in a span of less than two months resulting in the hike in values this year. This deal has not only set new benchmarks in Indian corporate history, but that this was achieved amidst a global lockdown is notable. While H1 2020 recorded 15% and 22% increase in deal values compared with H1 2019 and H2 2019 respectively, barring Reliance Jio's deal, the year saw a significant fall of over 70% in deal values on a year-on-year and 30% fall over the preceding six months (July- December 2019) period.

India Inc.'s M&A recorded around USD 19 billion across over 160 transactions, a marginal 6% increase over H1 2019 with 30% fall in the deal volumes. Compared to previous six months (July-December 2019), the year saw values growing over two times despite over 20% fall in the volumes. On the flip side, owing to closed borders

and muted deal activity resulting due to the pandemic, H1 2020 recorded the lowest cross-border deal volumes since 2011.

Contrary to M&A volumes, PE volume seems to be on the rise. Similarly, owing to Jio Platform's USD 9.5 billion fund raise from global investors, the year witnessed a new record with over USD 19 billion worth of investments for the first six months period, across over 430 investments. This marked an increased trend with over 25% growth in investment values and over 10% in deal volumes. Interestingly, the year also recorded an increase in investment volumes by venture capital firms in the early growth and late stage deals since 2011.

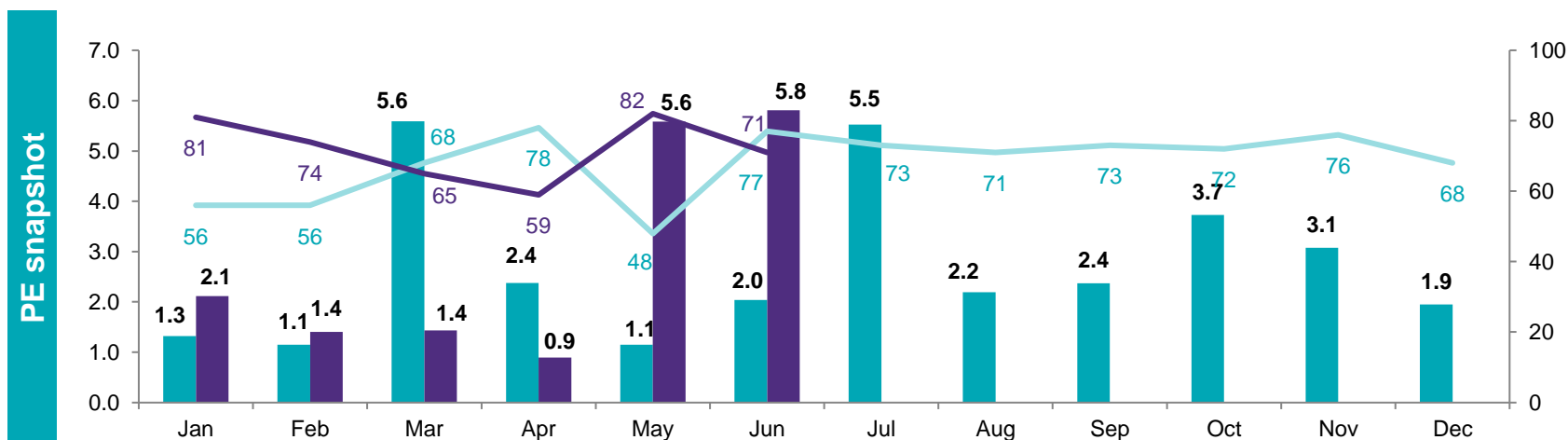
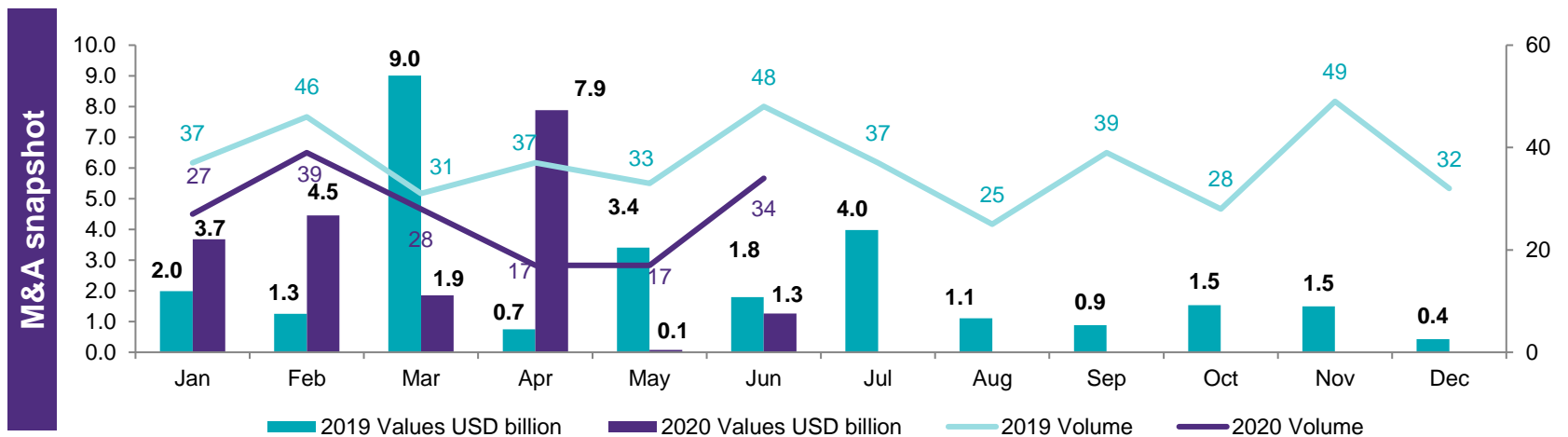
The core sectors, such as telecom, energy, banking, transport and logistics, and IT and ITeS, attracted big-ticket transactions and investments during H1 2020. While the start-up sector remained preferred by PE and venture capital (VC) investors, the IT and ITeS sector remained active with highest number of consolidations. Strategic and financial investors are seeking unique themes to invest in, with the technology sector expecting a strong demand. The consumer retail companies have witnessed a dramatic drop in footfalls at stores and plunging sales have resulted in an adverse impact on the sector's performance. The impact was also witnessed in the auto, aerospace and defence, manufacturing and real estate sectors. Post crisis, digital maturity and COVID-19 resiliency will determine strategy of players across various sectors, with companies already future-ready with digital capabilities and cost elasticity.

The COVID-19 pandemic is undoubtedly one of the biggest global events of our lifetimes, presenting unprecedented challenges to many industries, governments and people around the world. A continued spread and its aftermath will significantly slow down business. To counter the situation, the government and the regulators have been prompt in responding by providing economic stimulus packages, shoring up liquidity and providing forbearance on several financial and compliance commitments. A strong budget with focus on demand stimulation, improvement in government spending and boosting liquidity will further enhance the market activity. The latest International Business Report (H1 2020) published by Grant Thornton shows the optimism level of businesses at 63%, putting India among the top five countries in global rankings. Similarly, the businesses also reflect positive sentiments in terms of revenue generation with 58% expecting an increase, thereby giving an outlook towards continued market activity amid the pandemic.

Further, with an economy that has the backbone of a strong and rising domestic consumption and being a preferred emerging economy for global investors, India will perhaps see a gradual increase in corporate M&A though only select sectors, such as technology, as well as an increase in inbound investments from the latter half of H2 2020. Specific to corporate M&A, the deal activity will be driven by consolidation in key sectors due to correction in valuations as well as small medium enterprises/micro, small and medium enterprises (SMEs/MSMEs) lack of ability to grow or sustain their business in these troubled times. With this, we stay optimistic and expect to see a positive market sentiment soon.

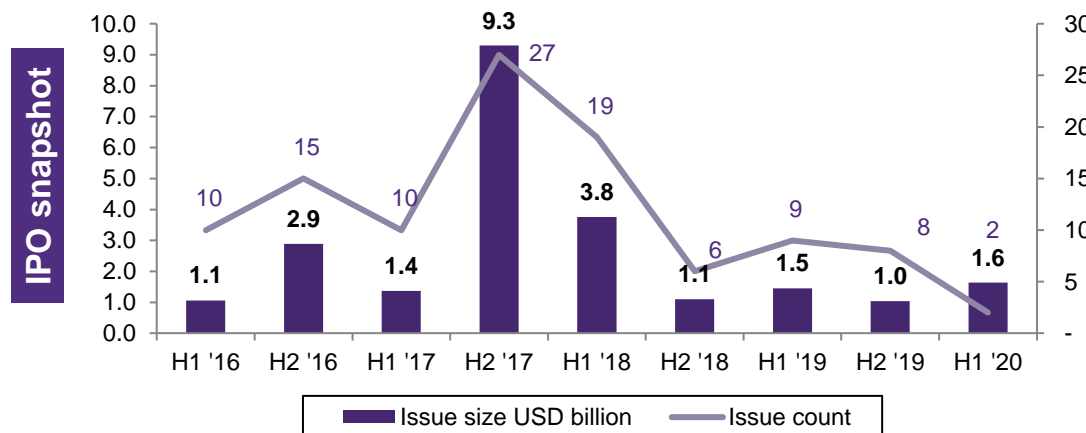
Deal snapshot

H1 2020 recorded 594 deals aggregating to USD 36.5 billion with average deal size of USD 61 million



IPO and QIP activity

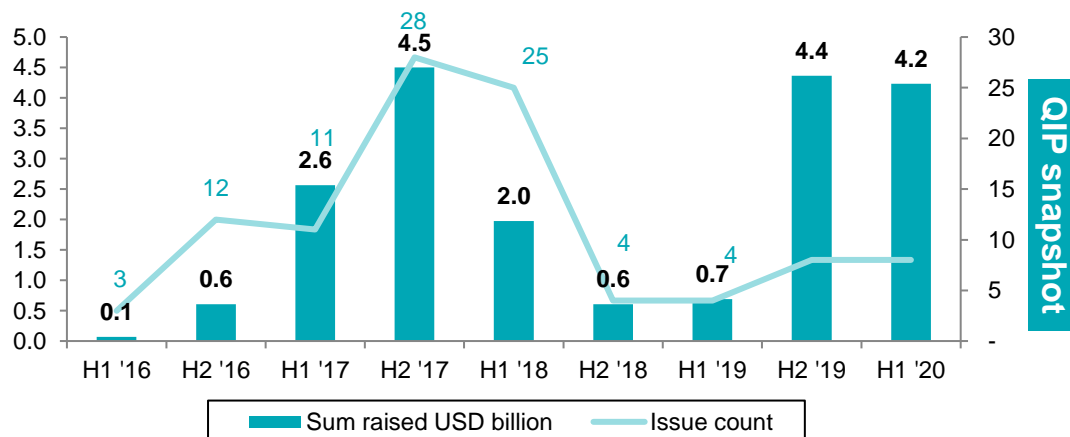
H1 2020 saw USD 1.6 billion raised across two IPOs, the lowest half yearly volumes recorded since 2011



- Initial public offers (IPOs) have been reticent this year as uncertainty around the COVID-19 pandemic continues. The IPO volumes fell by 78% and 75% compared with H1 2019 and H2 2019, respectively. The year 2020 recorded the lowest figures in last 10 years with only two IPOs in the first six months.
- Both the IPOs were recorded in the January-March quarter, given the pandemic and its negative impact on global economic activities, IPO markets remained muted in Q2 2020.
- The year so far has seen one company each from telecom (ITI Ltd.) and banking (SBI Cards and Payment Services Ltd.) sectors raising IPOs, together valued at USD 1.6 million.

H1 2020 saw eight companies raising USD 4.2 billion, heightened activity compared with H1 2019

- Contrary to the IPO route of fundraising, qualified institutional placements (QIP), a fast track route that allows listed companies to raise capital from institutional investors through equity or equity-linked instruments saw 100% increase in the volumes of QIP fundraising compared with H1 2019 with over six times the funds raised.
- H1 2020 saw eight companies raising USD 4.2 million through QIP. Of these, 50% of the companies were from the banking sector and one each from manufacturing, real estate, retail and telecom sectors.
- Bharti Airtel's USD 2 billion fund raise topped the list, which also marks the largest fund raised in last nine years via this route. This was followed by Kotak Mahindra Bank's USD 980 million.



Deal round-up

Deal summary	Volume			Value (USD million)		
	2018	2019	2020	2018	2019	2020
Year to date - June						
Domestic	130	130	93	23,745	12,057	8,720
Cross-border	94	94	65	23,587	5,086	10,474
Merger and internal restructuring	11	8	4	17,459	1,055	20
Total M&A	235	232 ↓ 30%	162	64,791	18,198 ↑ 6%	19,214
Private equity	408	383 ↑ 13%	432	9,755	13,623 ↑ 27%	17,238
Grand total	643	615 ↓ 3%	594	74,546	31,821 ↑ 15%	36,452
Cross-border includes						
Inbound	51	49	29	21,408	3,483	9,885
Outbound	43	45	36	2,179	1,603	589

H1 2020

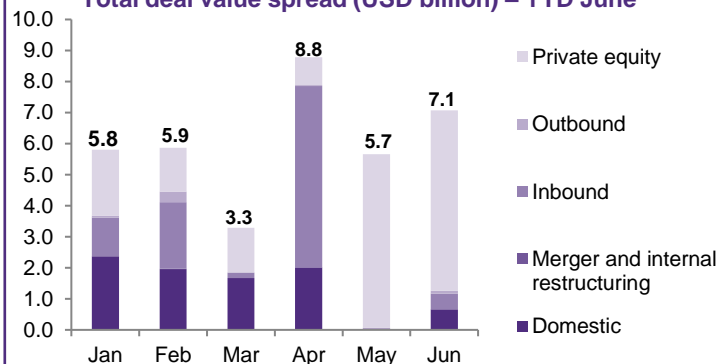
High-value deals dominate despite falling volumes

- In H1 2020, there were 594 deals worth USD 36.5 billion. There was a strong 15% increase in deal values despite 3% fall in volumes year-on-year (y-o-y).
- Key reason for increase in deal values is Jio Platform's USD 15.2 billion fund raise from 10 investors in the last quarter. Barring the 11 investments in Jio, the year recorded a 72% fall in the deal values compared with H1 2019.
- In H1 2020, there were nine deals in over billion-dollar category compared with only four in H1 2019. Twelve deals were estimated at above USD 500 million as opposed to four in H1 2019. Meanwhile, there were 35 deals valued and estimated at and over USD 100 million compared with 54 in H1 2019.
- In H1 2020, India Inc's M&A value stood at USD 19.2 billion, a marginal increase over H1 2019 but a whopping 104% spike over H2 2019. However, in the same period, deal volumes dipped 30% over H1 2019 and 23% over H2 2019.
- H1 2020 also witnessed record USD 17.2 billion 432 PE investments, a 27% increase over the previous record witnessed in H1 2019. The PE investment average record was pegged at USD 40 million, making this the highest deal size since 2011.

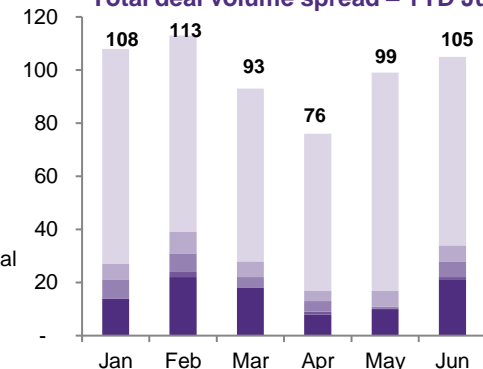
Quick facts

- In H1 2020, the cross-border deal volumes were the lowest since 2011 while the deal values were third highest. The values were driven by Facebook's USD 5.7 billion investment in Jio Platforms. Barring this deal, the values were second-lowest.
- H1 2020 also witnessed the lowest individual inbound and outbound deal volumes since 2011.
- Core sectors like telecom, energy, banking, transport and logistics and IT attracted big-ticket transactions and investments during this period.

Total deal value spread (USD billion) – YTD June



Total deal volume spread – YTD June



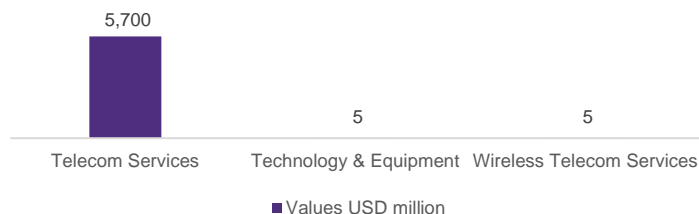
Sector in focus H1 2020 - M&A

Values



Telecom

- The Telecom sector has been one of the major beneficiaries of the consolidation, which saw the largest deal with Facebook's 10% stake in Jio Platforms for USD 5.7 billion after the merger of Vodafone-Idea (USD 23 billion) and Bharti Infratel-Indus (USD 14.6 billion) since 2011. The year witnessed only cross-border consolidation with one inbound and two outbound deals.

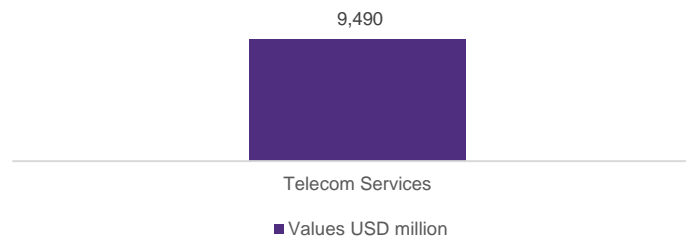


Sector in focus H1 2020 - PE



Telecom

- Investment funds are assigning high valuation multiples to telecommunications infrastructure assets, such as mobile towers, data centres, submarine cable and fibre infrastructure. With this in place, Reliance Jio raised USD 9.5 billion from investments by nine global tech investors in a move to become a zero net debt company.

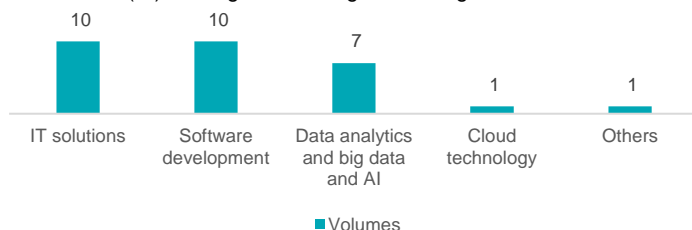


Volumes



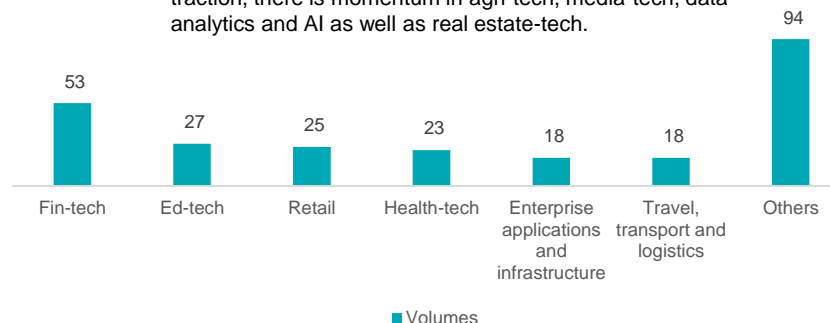
IT and ITeS

- The IT sector witnessed highest deal activity in H1 2020 with 29 deals. Outbound activity constituted almost half the deal volumes in H1 2020, reflecting higher global intent to acquaint with latest technology and expand local horizons.
- IT solutions and software development remained preferred segments in H1 2020, while data analytics, artificial intelligence (AI) and big data firms garnered highest deal values.



Start-up

- H1 2020 witnessed mega funding rounds for high-growth homegrown start-ups. While fin-tech, ed-tech, retail, health-tech, enterprise infrastructure and logistics segments gained much traction, there is momentum in agri-tech, media-tech, data analytics and AI as well as real estate-tech.



Large deals called-off: H1 2020

Terminated, as the conditions precedent were not fulfilled within the stipulated time period



Apis Partners
- L&T
Infrastructure
Debt Fund
(25% stake for
USD 110
million)



Chatterjee Group -
TCG Advisory
Services
(86% stake for
USD 46.50
million)



Adani Logistics-
Snowman
Logistics Ltd.
(40% stake for
USD 41.69
million)

Absence of regulatory approvals



Aurobindo Pharma - Sandoz
Inc - dermatology
business and
generic US oral
solids portfolio
Udaipur (100% for
USD 900 million)



Tata Group, GIC and SSG Capital Management-
GMR Airports
Holding Ltd.
(44.4% stake for
USD 1.15 billion)

Breach of agreement



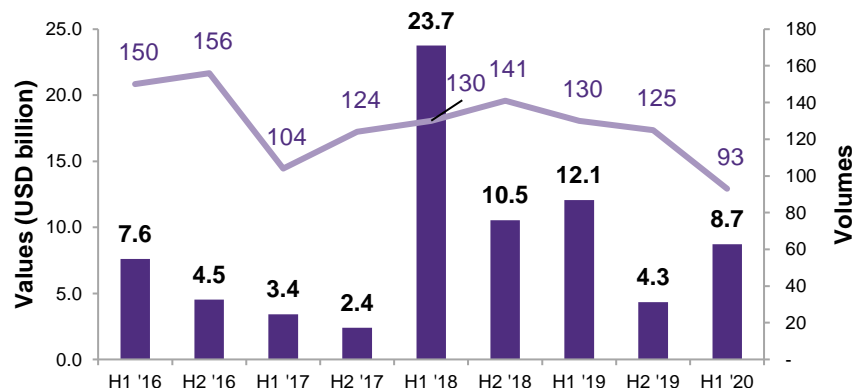
Ebix Inc. - Yatra
Online Pvt. Ltd.
(100% stake for
USD 337.80
million)

M&A dealscape

- Domestic deal snapshot
- Inbound deal snapshot
- Outbound deal snapshot
- Sector spotlight
- Top 10 deals highlights
- In the spotlight
- Outlook on M&A

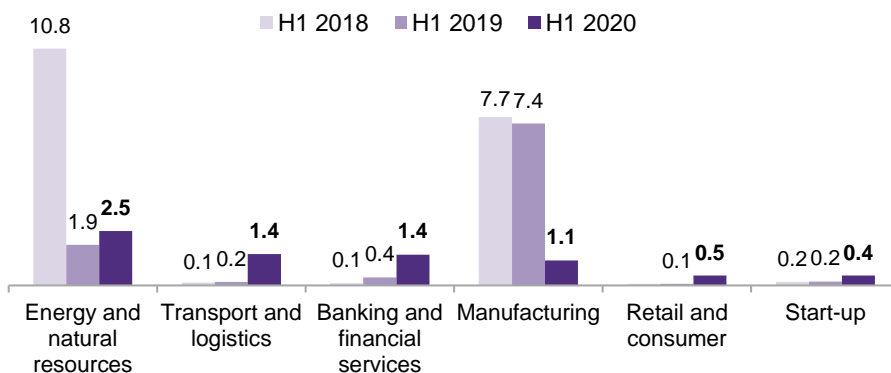
Domestic deal snapshot

Domestic deal activity witnessed the lowest deal volumes for the first six months in last nine years with values falling by 28% over H1 2019

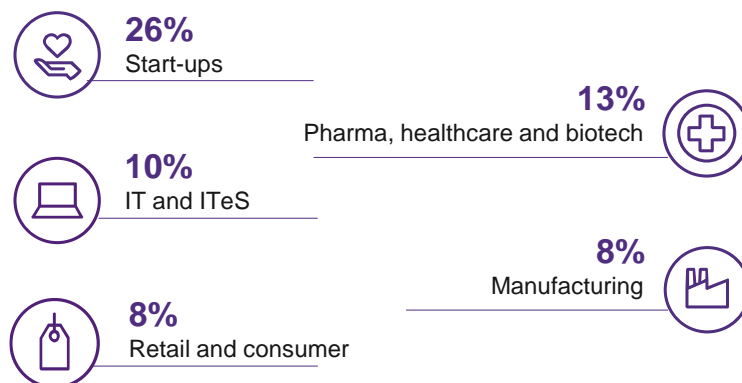


- This year saw declining deal activity both in terms of deal values and volumes compared to the same period last year. This deceleration in the deal activity can be attributed to the COVID-19 pandemic that led to a nationwide lockdown.
- The year so far has recorded three deals in the billion-dollar category, three deals valued over USD 500 million, nine deals valued above USD 100 million each and 12 deals valued between USD 10 million and USD 99 million, together accounting for 97% of the domestic deal values.
- The top transactions in this segment were Adani Port- Krishnapatnam Port (USD 1.4 billion), consortium of banks led by SBI acquiring Axis Bank (USD 1.4 billion) and NTPC Ltd.-THDC India (USD 1 billion). These three billion-dollar deals alone account for 44% of the deal values in this segment.
- The year also witnessed some debut acquisitions by Instamojo and NoBroker encouraging domestic consolidation among start-ups.
- Apart from the top sectors, education, energy, media, e-commerce and professional services, also witnessed consolidation in H1 2020 with 22% of the domestic deal volumes.

Top sectors based on deal value (USD billion)

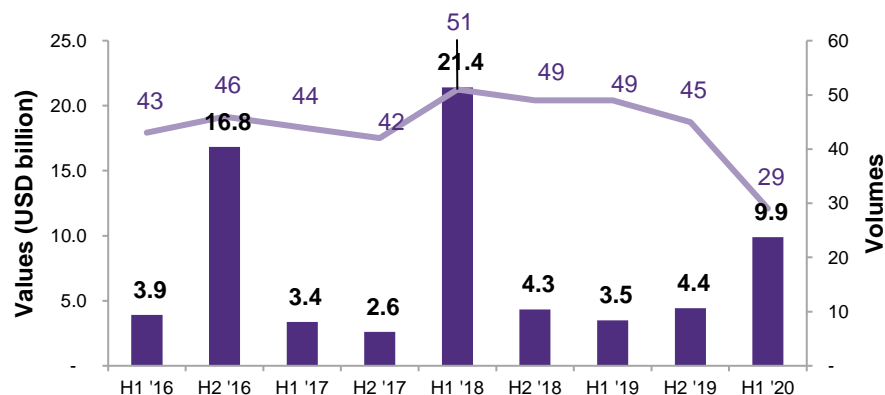


Share of top sectors by deal volume in H1 2020



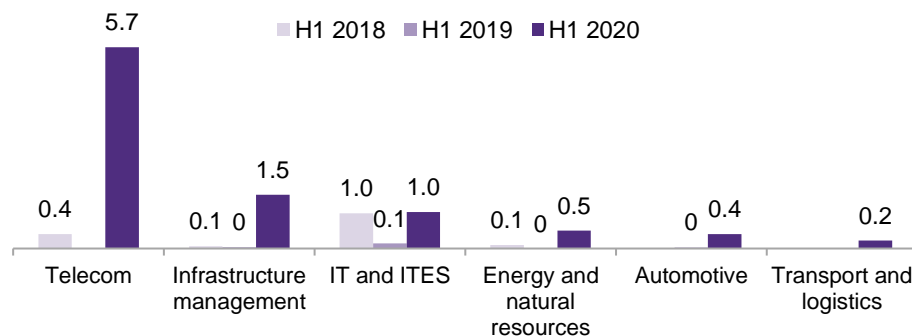
Inbound deal snapshot

Lowest deal volumes for the January-June period since 2011 while second-highest deal values in last eight years

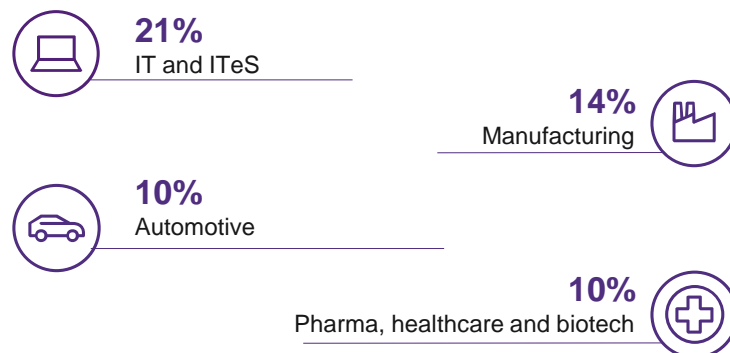


- The inbound deal activity witnessed sharp rise of 184% in the deal values compared to H1 2019. This was primarily driven by the Facebook-Jio Platforms deal valued at USD 5.7 billion in H1 2020. Barring this deal, the year still witnessed a 20% hike in the deal values compared with the same period last year, while volumes recorded a 41% decline y-o-y.
- In line with H1 2019, this year also saw the US being the largest contributor to inbound values and volumes with seven deals valued at USD 6.8 billion. There were investments from France (USD 2 billion), Japan and China (USD 0.3 billion each), together contributing to 96% of the total inbound deal values with four investments each.
- There have been two deals in the billion-dollar category, two deals valued over USD 500 million and five deals valued above USD 100 million each, together accounting for 97% of the inbound deal values.
- The sectors like IT and ITeS, manufacturing, automotive and pharma attracted overseas investors' attention witnessing increased deal activity. This contributed to 55% of the total inbound deal volumes, while telecom and infra sectors attracted large-ticket investments.

Top sectors based on deal value (USD billion)

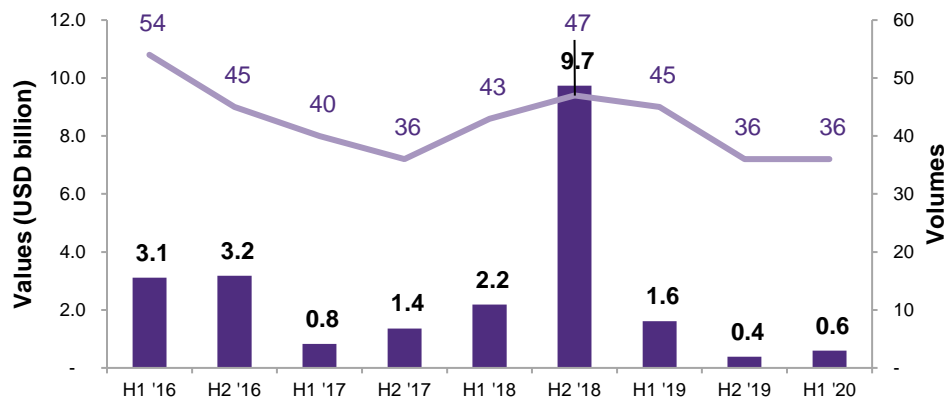


Share of top sectors by deal volume in H1 2020



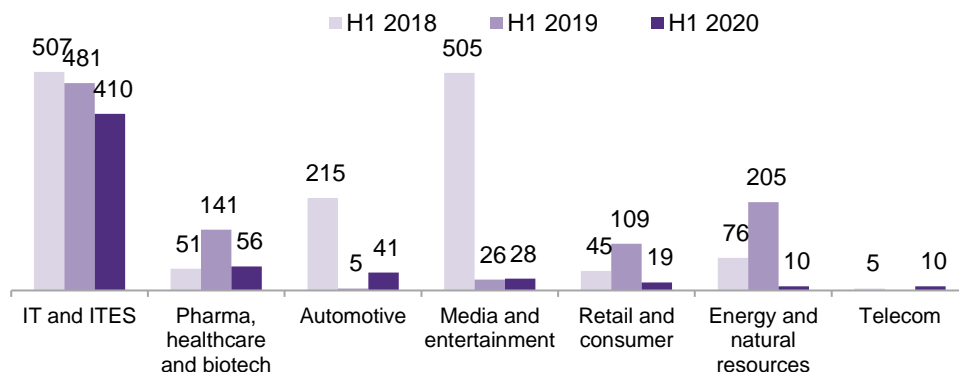
Outbound deal snapshot

Lowest deal volumes and values for the January-June period since 2011

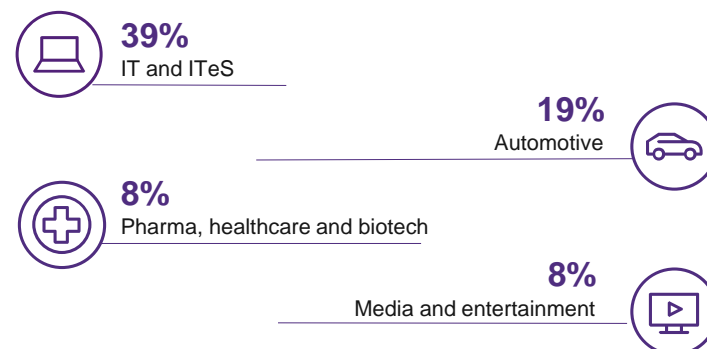


- Outbound deal activity witnessed a significant fall, both in terms of deal values by 63% and deal volumes by 20%, compared with H1 2019. This strong fall in the deal activity was primarily due to the closing of borders because of the pandemic. However, compared with H2 2019, outbound deal values saw 1.5 times increase with muted deal volumes.
- H1 2020 saw majority of the Indian companies betting on technology companies, followed by automotive, pharma and energy sectors (with the aim to expand) that witnessed maximum activity together contributing to 74% of the total deal volumes. The US, the UK and the UAE were the largest recipients of investments, accounting for 84% of the outbound deal values. The US, the UK, Singapore, Italy and Israel were the top destinations attracting deal activities in terms of volumes.
- There was only one deal estimated and valued over USD 100 million and nine deals valued between USD 10 million and USD 99 million. They contributed to 82% of the total outbound deal values in H1 2020, compared with five and 14 such deals respectively, in H1 2019.
- The top three transactions in this segment were in the IT sector with Infosys-Simplus-Outbox Systems Inc. (USD 250 million) being the largest outbound deal in H1 2020.

Top sectors based on deal value (USD million)

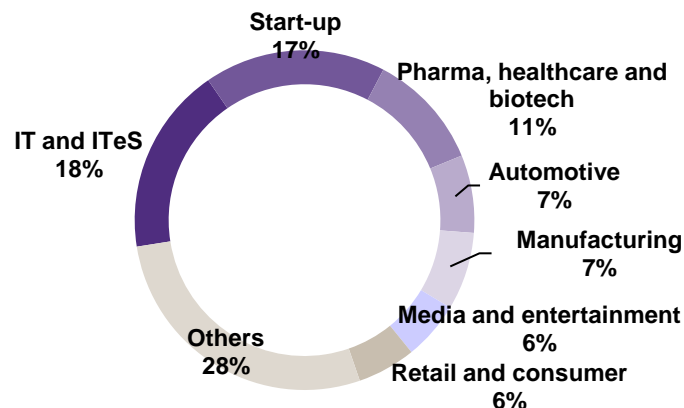


Share of top sectors by deal volume in H1 2020

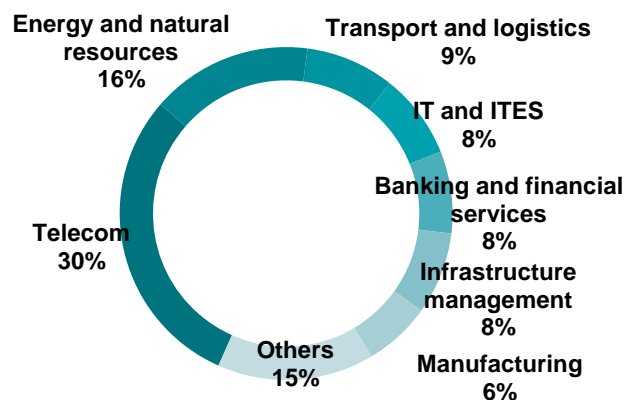


Sector spotlight

Top sectors based on deal volume



Top sectors based on deal value



Notable sector trends

- Driven by Facebook's 10% stake acquisition in Jio Platforms for USD 5.7 billion, the telecom sector led the M&A deal values by 30%. Evolution in the infrastructure, equipment, mobile virtual network operators (MNVO), white space spectrum, 5G, telephone service providers and broadband, the sector is likely to witness increased consolidation in the coming year.
- In line with last year, the IT sector dominated M&A deal volumes at 18%. The IT solutions and software development space dominated deal activity within the sector with 20 of the 29 deals valuing at USD 0.5 billion.
- H1 2020 recorded five deals in the billion-dollar category. One each in the telecom sector (to pare debt), the infra sector (driven by consolidating industrial expertise and strong development capacities), the transport and logistics sector (to increase the market share), the banking and financial services sector (as part of the RBI rescue plan) and the energy and natural resources sector (as part of one of the government's largest asset-sale exercises).
- The year so far has also witnessed deals under the Insolvency and Bankruptcy Code (IBC) in the banking, pharma and infra sectors. GFG Alliance's acquisition of Adhunik Metaliks Ltd. and associate Zion Steel Ltd. in the manufacturing sector marks its entry into India. This is yet another success of a bankrupt steel company, under the IBC, after recent approval by the Supreme Court to billionaire Lakshmi Mittal-owned ArcelorMittal for the acquisition of insolvent Essar Steel in December.

Key sectors

Notable sectors	Volume	Value (USD million)
IT and ITeS	29	1,579
Start-up	28	470
Pharma, healthcare and biotech	18	564
Automotive	12	585
Manufacturing	12	1,255
Energy and natural resources	8	3,010
Banking and financial services	7	1,536

Top 10 deals highlights

The deals accounted for 76% of the total M&A deal values in H1 2020

Top M&A deals - H1 2020						
Acquirer	Target	Sector	Value (USD mn)	Deal type	% stake	Domestic/ cross-border
Facebook Inc.	Jio Platforms Ltd.	Telecom	5,700	Minority stake	10%	Inbound
Groupe Aeroports de Paris SA (ADP)	GMR Airports Holding Ltd.	Infrastructure management	1,518	Strategic stake	49%	Inbound
Adani Ports and Special Economic Zone L imited	Krishnapatnam Port Company Ltd.	Transport and logistics	1,434	Majority stake	75%	Domestic
State Bank of India, Housing Development Finance Corporation Ltd., ICICI Bank Ltd., Axis Bank Ltd., Kotak Mahindra Bank Ltd., Federal Bank Ltd., Bandhan Bank Ltd., IDFC First Bank Ltd.	YES Bank Ltd.	Banking and financial services	1,389	Majority stake	N.A.	Domestic
NTPC Ltd.	THDC India Limited	Energy and natural resources	1,014	Majority stake	74%	Domestic
Clarivate Analytics Plc	Piramal Enterprise Ltd.- Decision Resources Group	IT and ITeS	950	Acquisition	100%	Inbound
Nuvoco Vistas Corporation Ltd.	Emami Cement Ltd.	Manufacturing	775	Acquisition	100%	Domestic
JSW Energy Ltd.	GMR Kamalanga Energy Limited	Energy and natural resources	749	Acquisition	100%	Domestic
NTPC Ltd.	North Eastern Electric Power Corporation Ltd. (NEEPCO)	Energy and natural resources	541	Acquisition	100%	Domestic
Total S.A.	Adani Green Energy Ltd.	Energy and natural resources	510	Strategic stake	50%	Inbound

In the spotlight

Facebook acquires 9.9% stake in Reliance Jio for USD 5.7 billion

Sector: Telecom

Acquirer

Facebook Inc. operates a social networking website. The social media platform allows people to communicate with their family, friends and co-workers. It develops technologies that facilitates sharing of information, photographs, website links and videos. Facebook users can share and restrict information based on their own criteria.

Target

Jio Platforms Limited, a wholly-owned subsidiary of Reliance Industries Limited, is a next-generation technology company building a digital society for India by bringing together Jio's leading digital platforms under one umbrella. It is the only network conceived and born as a mobile video network from the ground up and supporting voice over LTE technology. The company provides connectivity platform to over 388 million subscribers.

Rationale

This investment by Facebook values Jio Platforms at INR 4.62 lakh crore pre-money enterprise value (USD 62.43 billion). Facebook's investment will translate into a 9.99% equity stake in Jio Platforms on a fully diluted basis. This also translates into the largest investment for a minority stake by a technology company anywhere in the world.

This partnership will accelerate India's all-round development, fulfilling the needs of Indian people and economy. The focus will be on India's 60 million MSME businesses, 120 million farmers, 30 million small merchants and millions of SMEs in the informal sector.

Reliance Industries Chairman Mukesh Ambani termed the deal as a milestone under the government's Digital India initiative. "The synergy between Jio and Facebook will help realise Prime Minister's Digital India with its two ambitious goals - ease of living and ease of doing business - for every single category of Indian people without exception," Ambani said.

France's Groupe ADP acquires 49% stake in GMR airport business for USD 1.5 billion

Sector: Infrastructure Management

Acquirer

Groupe ADP, formerly Aéroports de Paris or ADP, is an international airport operator based in Paris. Groupe ADP owns and manages Parisian international airports Charles de Gaulle Airport, Orly Airport and Le Bourget Airport, all gathered under the brand Paris Aéroport since 2016. The group manages 25 airports worldwide.

Target

GMR Airports Holdings Limited: GMR Group entered the airports space in early 2000s and is today counted amongst the top five airport developer and operators, globally. GMR Airports has a portfolio of seven airports in three countries: India, the Philippines and Greece. The company records on an average 100+ million passengers every year with 267 routes.

Rationale

This deal is seen as a move that will help the GMR group reduce debt burden. The deal values GAL at the base post money valuation of INR 22,000 crore.

As part of the deal, the first tranche of INR 5,248 crore will be received by GMR Group immediately. This money will help deleverage the group further and result in improved cash flows and profitability. Out of the total amount, INR 9,780 crore would be towards secondary sale of shares by GMR group and INR 1,000 crore would be equity infusion in GAL.

As part of the terms of transaction, GMR will retain management control over the Airports Business with Groupe ADP having the customary rights and Board representation at GAL and its key subsidiaries.

In March 2019, the GMR Group signed the same deal to sell a 44.4% stake to Tata Group, GIC and SSG Capital. Last month, however, GMR had revised that deal to sell a 49% stake. The deal with ADP effectively scraps the agreement with the Tatas, GIC and SSG. The deal got called off because of lack of government approvals, mainly due to a rule that bars airline operators from owning a stake of more than 10% in an airport company.

Outlook on M&A



Sumeet Abrol

Partner

Grant Thornton Advisory Private Limited

The head start to the deal activities in 2020 witnessed severe headwinds caused by the COVID-19 pandemic that brought global economy to an abrupt halt. The second quarter of the calendar year experienced a series of lockdowns and had a pronounced negative impact on the deal activities with significant fall in deal volumes.

The H1 2020 saw only 162 M&A transactions – lowest in over the past five-six months periods starting H1 2017 and way below the 210 deals recorded in H2 2019. Deal values of USD 19.2 billion in H1 2020 were at par with USD 18.2 billion seen in H1 2019. On an aggregate basis including the PE transactions, H1 2020 saw 594 deals totaling USD 36.5 billion against 643 deals totaling USD 28.3 billion in the preceding six-month period.

Facebook's investment into Reliance Jio was a red-letter day for the Indian telecom sector. The strategic partnership with the telecom company was followed by a series of investment from leading PE players enabling Reliance Jio to raise over USD 15 billion. This investment is expected to create positive ripple effects in the economy and drive the digital transformation in India across the SME and provide great impetus to digital transactions. This deal was a strong silver-lining to the gloomy deal activities during this period.

The IT and ITeS sector witnessed a heightened deal activity driven by Clarivate's acquisition of Piramal's Decision Resources group for USD 950 million followed by Infosys acquiring Simplus for USD 250 million, which kept the momentum going in the first half. H1 2020 also witnessed Tech Mahindra leveraging its capability in emerging AI, machine learning (ML) through acquisition of Zen3 Infosolutions. We expect the deal momentum to be strong in this sector as the key performance indicators remain stable and outlook positive.

Acquisition led by SBI picking a majority stake in Yes Bank for USD 1.39 billion was the top transaction in the BFSI space. This was a strong confidence building measure and brought in much-needed stability to the banking sector that was stressed.

Transactions in pharmaceutical space saw a decline from USD 2.19 billion in H1 2019 to USD 564 million in H1 2020 largely driven by Dr. Reddy's lab acquisition of Wockhardt Ltd.'s generics drug business. New capacity creation and shifting of base from countries like China could potentially strengthen the deal activities during second half of 2020.

Transactions in the e-commerce were driven by Zomato's acquisition of Uber Eats in an all-stock transaction. The combined entity is expected to corner larger market share and positioned ahead of Swiggy. Apart from this, the e-commerce sector did not see any large deals in H1 2020 resulting in a sharp decline in deal value from USD 738 million in H1 2019 to USD 199 million in H1 2020.

Infrastructure saw momentum in the pre-lockdown period with a four times increase in the deal value to USD 1.53 billion when compared with USD 358 million in H1 2019 largely driven by Groupe Aeroports' significant minority investment in GMR Airports for USD 1.52 billion. As part of the economy building measures and job creation, we expect investment to happen in this sector during H2 2020 and potentially create opportunities for M&A.

Shortened cash runway coupled with tapered demand has put the focus on an array of opportunities in the M&A sector. We expect more creative deal structures that benefit both parties as the economy recovers.

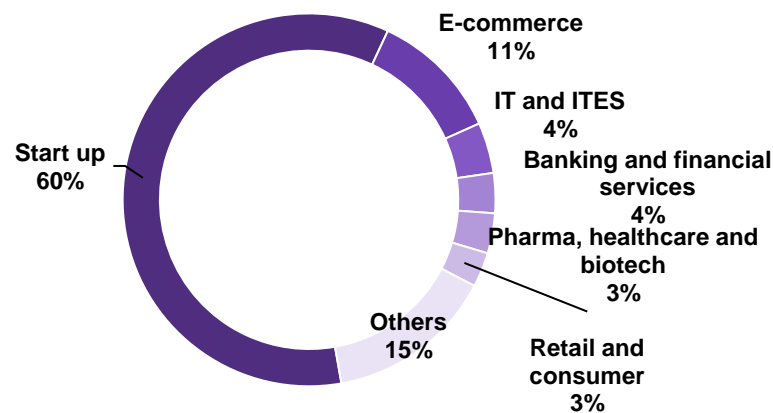
The COVID-19 pandemic is expected to slowdown the deal scenario for H2 2020. Business continuity, core market, services focus and need for funds will lead to opportunities in M&A deals. Pharma, education as well as IT and ITeS are expected to be attractive sectors for M&A. PE funds are expected to hold on to strategic M&A exit plans and could start exploring the IPO market as a possible exit alternative.

Private equity dealscape

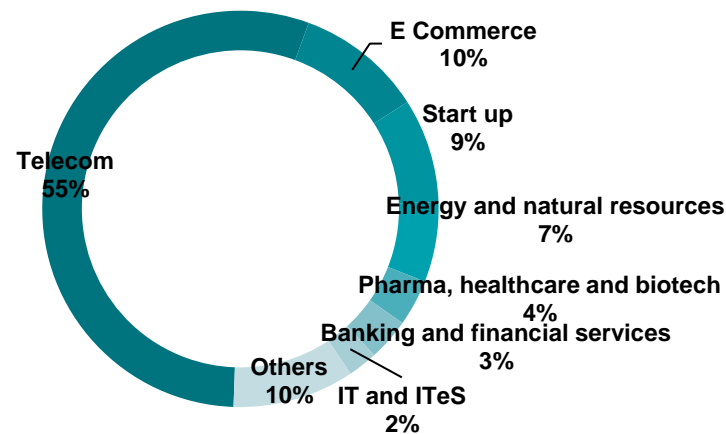
- Sector focus
- Top 10 deals highlights
- In the spotlight
- Outlook on PE investments

Sector spotlight

Top sectors based on deal volume



Top sectors based on deal value



Notable sector trends

- In line with the trends in the last nine years, H1 2020 was also dominated by investments in the start-up sector, which contributed to 60% of the total investment volumes garnering USD 1.5 billion. Fin-tech, ed-tech, consumer retail and health-tech attracted significant attention from investors with 128 deals together capturing 50% of the start-up volumes. The year also saw traction in the networking platforms, gaming, HT tech, auto tech and media tech companies.
- The year witnessed Telecom company Jio Platforms raising USD 9.5 billion from nine global investors forming 55% of total PE deal values. KKR's USD 1.5 billion investment in Jio Platforms making the firm's largest investment in Asia.
- Goldman Sachs and Varde Partner's investment in RattanIndia is the biggest debt resolution deal by international stressed asset funds in India and one of the biggest outside the insolvency resolution framework without any change in management.
- Sectors grabbing investors attention: The investment made by Morgan Stanley Private Equity Asia managed fund is the first external institutional investment in Centrum Housing Finance Limited. This is the fourth investment made by Morgan Stanley Private Equity Asia in India in the banking sector. Lupa Systems investment in Harappa Education marks its first investment in India and in the education sector, globally.

Key sectors

Notable sectors	Volume	Value (USD million)
Start-up	258	1,467
E-commerce	49	1,781
IT and ITes	19	414
Banking and financial services	15	595
Pharma, healthcare and biotech	15	654
Retail and consumer	13	108
Energy and natural resources	12	1,124
Telecom	10	9,490

Top 10 deals highlights

The investments accounted for 58% of the total PE deal values in H1 2020

Top PE deals - H1 2020				
Investor	Investee	Sector	% stake	Value (USD million)
Vista Equity Partners	Jio Platforms Ltd.	Telecom	2.3%	1,496
KKR	Jio Platforms Ltd.	Telecom	2.3%	1,496
Public Investment Fund (PIF)	Jio Platforms Ltd.	Telecom	2.3%	1,496
Mubadala	Jio Platforms Ltd.	Telecom	1.9%	1,197
General Atlantic	Jio Platforms Ltd.	Telecom	1.3%	868
Softbank and RA Hospitality Holdings	Oravel Stays Pvt Ltd.- OYORooms.com	E-commerce	N.A.	807
Abu Dhabi Investment Authority	Jio Platforms Ltd.	Telecom	1.2%	748
Silver Lake Partners	Jio Platforms Ltd.	Telecom	1.2%	744
Silver Lake Partners	Jio Platforms Ltd.	Telecom	0.9%	598
TPG	Jio Platforms Ltd.	Telecom	0.9%	598

In the spotlight

Jio Platforms raises USD 9.5 billion funds from leading global investors

Sector: Telecom

Investor	Investee
Leading global investment firms include Silver Lake, Vista Equity Partners, General Atlantic, KKR, Mubadala, Abu Dhabi Investment Authority, TPG, L Catterton and PIF	Jio Platforms Limited , a wholly-owned subsidiary of Reliance Industries Limited, is a next-generation technology company building a digital society for India by bringing together Jio's leading digital platforms under one umbrella. It is the only network conceived and born as a mobile video network from the ground up and supporting voice over LTE technology. The company provides connectivity platform to over 388 million subscribers

Rationale

After raising USD 5.7 billion for 9.99% stake sale to Facebook Inc., Reliance Jio Platforms has raised an additional USD 9.5 billion from a roster of nine high-profile investors in the span of two months.

Silver Lake Partners bought about 1% stake in Jio Platforms for USD 744 million in a deal that took Jio's enterprise value to USD 68 billion — a 12.5 premium to the value indicated by Facebook. This was followed by Vista Equity Partners, who picked up a 2.32% stake for USD 1.5 billion, making it the third high-profile investment in the Reliance Industries Ltd. (RIL) unit. Further, General Atlantic bought a 1.34% stake for USD 868 million. KKR bought a 2.32% stake for USD 1.5 billion. Mubadala bought 1.85% for USD 1.2 billion followed by Silver Lake's additional investment of USD 744 million for 1.15% stake.

Abu Dhabi Investment Authority invested USD 748 million for 1.16% stake. The TPG and L Catterton's USD 598 million and USD 249 million for 0.93% and 0.39% stake respectively, comes less than a week after the two sovereign wealth funds (ADAI and Mubadala) deals.

Saudi Arabia's PIF USD 1.5 billion investment for 2.32% stake marked the latest addition to Jio Platform's investors list.

Ambani said that the capital has helped him repay Reliance Industries' net debt of USD 21 billion well ahead of schedule. The oil-to-retail giant, which was debt free in 2012, is now net debt free.

OYO raises USD 806.75 million in series F funding from SoftBank and RA Hospitality

Sector: E-commerce

Investor	Investee
SoftBank Vision Fund, a subsidiary of SoftBank, invests USD 100 million or more in leading growth-stage companies. RA Hospitality Holdings is most likely a joint venture company backed by SoftBank and one or more financial institutions with Ritesh Agarwal as a key shareholder	Oravel Stays Private Limited, OYO Rooms is world's leading chain of hotels, homes and spaces. The portfolio combines fully-operated real estate comprising of more than 43,000 hotels with over one million rooms. Through its vacation homes business, the company offers travellers and city-dwellers access to over 130,000 homes around the world. OYO today operates in over 800 cities, in 80 countries.

Rationale

The investment of USD 806.75 million raised by online hospitality firm OYO is the first tranche of its USD 1.5 billion Series F fundraise from SoftBank and RA Hospitality that was announced in October 2019.

According to the company's filings with the Registrar of Companies (RoC) sourced by business signals platform Paper.vc, OYO has allotted a total of 15,325 Series F compulsory convertible cumulative preference shares (CCCPS) to the two entities at a price of USD 52,643.22 per share. SVF India Holdings has subscribed to 9,626 Series F CCCPS for about USD 507 million while RA Hospitality has injected about USD 300 million for 5,699 shares.

Post the allotment of shares, SVF India Holdings and RA Hospitality hold 50.59% and 25.87%, respectively, in OYO.

This is a key development for OYO Hotels and Homes. Additional funds will help the business achieve its strategic objectives for 2020, which include accretive and sustainable growth, operational excellence and investment in corporate governance and training.

Outlook on PE investments



Raja Lahari
Partner
Grant Thornton India LLP

PE deal activity in terms of value remained robust in H1 2020. These were largely driven by investments in the consumer, healthcare and technology sectors, notably, buy-out deals by KKR, Carlyle and the Reliance Jio deal, which saw investments of USD 15.2 billion from global marquee PE investors and Facebook.

This landmark deal is one of the top global deals in recent times and augurs well for Indian digital economy and Digital India initiative given the marquee investors backing Jio. Given Jio's significant consumer base now, the digital platform would provide an opportunity to build in digital commerce, digital entertainment, digital payments and perhaps enable an integrated digital commerce platform for Indian consumers to transact on.

The pandemic clearly impacted the deal activity from March 2020, which is an unprecedented event and is expected to impact new deals in 2020. However, the PE funds operating in India continue to have capital to deploy and have sufficient dry powder for new investments.

The focus of PE funds post the pandemic will be on portfolio company management to preserve value and ensure sufficient financing to navigate this period where revenues of most companies have been severely impacted due to the lockdown and de-growth in overall economic activity. We could also expect VC funds to consolidate and merge portfolio companies in the same sector and line of business to ensure their survival.

PE funds are expected to focus on the sectors like healthcare, medical devices, ed-tech, fin-tech and technology companies and would expect deal activity to increase in the next two quarters. While valuations have corrected and will clearly continue to be attractive, PE funds are expected to raise the

bar. New deals and due diligence is expected to increase. Innovative deal structures could emerge considering business uncertainty, including structures of deferred consideration and valuation as well as funds linked to future financial performance.

The other area that could see an increase in transaction activity is stressed asset as India will battle financial stress of many corporates, especially in the sectors, such as industrial, manufacturing, real estate and infrastructure. Global and Indian stressed asset funds are clearly viewing this as an investing opportunity, although how this pans out in the coming months, remains to be seen.

PE exits, either through M&A, IPO or secondary PE deals, will now take longer although companies with robust financials and operating in sectors, which are not that impacted are expected to see deal action.

While deal activity is expected to be muted, deal discussions and ideations are in progress and deal-makers are expected to close discussions. Of course, the uncertainty factor, in terms of impact on business and corporates, is expected to impact PE deal activity this year.

Regulatory outlook

- Tax and exchange control reforms
- MSME reforms will benefit economy greatly
- Suspension of filings under IBC and its impact on the deal activity

Tax and exchange control reforms



Sridhar R
Partner
Grant Thornton India LLP

Budget expectations

The Union Budget 2020 came in the backdrop of a sluggish economic environment. With the GDP at less than 5%, lowest level in the last two decades, Finance Minister delivered a budget with slew of changes fulfilling a few outstanding demands, such as abolishing dividend distribution tax (DDT) w.e.f., 1 April 2020; prescribing attribution rules for e-commerce; rationalising personal income tax regime; and providing exemption to the investment income in the case of certain non-residents to promote certain kinds of foreign direct investment (FDI).

Finance Act 2020 - Highlights

The Finance Act, 2020 received President's assent on 27 March 2020. The most significant amendment was abolishing DDT to remove the cascading effect thereon between companies. This should help foreign investors to take tax credit at home country on dividend income received from Indian companies. In order to promote FDI, tax regime for sovereign wealth fund (SWF) of foreign governments was introduced, whereby a 100% tax exemption on investment income of such funds has been provided. With a view to encourage/promote start-ups, their definition has been widened and taxation of ESOPs of such start-ups was deferred. Concessional withholding tax rate on overseas borrowings, long-term bonds has also been extended for another three years.

With respect to digital taxation, certain remarkable changes were introduced, such as widening the tax base by changing the definition of significant economic presence; withholding tax @ 1% on gross amount of sales or services made by e-commerce operators on payments made to

e-commerce participant; expanding the source of equalisation levy by extending the levy on certain digital transactions.

In order to reduce the tax litigations, in line with indirect tax amnesty scheme, Direct Tax Vivad se Vishwas Act, 2020 was also introduced to provide relief from pending litigations and substantial savings from interest and penalty.

COVID-19 tax measures

The current pandemic has, however, significantly dampened the effects of the above amendments. The government along with the Central Board of Direct Taxes (CBDT) has taken various measures to ease tax compliances during this period. By and large, the government has refrained from providing any tax relief/exemption to corporates due to this emergency like situation. Therefore all measures have been significantly directed towards easing compliances such as:

- Reduction in withholding tax rate by 25% and reduction in interest rate on delayed payment of withholding tax
- Extension of due dates for opting for the direct tax amnesty scheme
- Extension of due date for filing of returns
- Extension of due dates for completion of assessments
- Release of refunds for charitable trusts and non-corporate business/profession

An adverse advance ruling by the Authority of Advance Ruling in the matter of a Flipkart investor who invested from Mauritius claiming grandfathering benefit has reopened the tax controversy on availability of Treaty Protection. The outcome of this will be keenly watched by the international investor community.

Tax and exchange control reforms

Foreign Exchange Management Act (FEMA)

Considering the pandemic and the risk of hostile takeovers, the government has introduced a key change in FDI policy. As per the new change, any direct or indirect investment into India, from a citizen/entity of a land sharing neighbouring country, will now require prior government approval. Even a nominal shareholding, either directly or indirectly beneficially owned by a corporate/individual from any of these countries, will be covered.

On the other hand, the Non-debt Instruments Rules 2019 have been liberalised raising the aggregate limit of FPI holdings in an Indian company, listed or to be listed on a recognised Indian stock exchange, from 24% to the applicable FDI sectoral limits. This change is applicable from 1 April 2020. Further limit on short-term investment by FPIs in corporate bonds has been increased from 20% to 30%.

COVID19 - FEMA

Owing to the pandemic, the exchange control laws have made the following amendment in the export and import regulations:

1. Time period for completion of remittances against import extended from six months to 12 months from the date of shipment for such imports. This change is applicable only for imports made on or before 31 July 2020.
2. Period of realisation and repatriation to India of the amount representing the full export value of goods or software or services exported, extended from nine to 15 months from the date of export. This change is applicable only for exports made up to or on 31 July 2020.

Outlook for H2 2020

Considering the pandemic and the extended lockdown, the outlook for H2 2020 remains negative. The government announced Atmanirbhar Bharat Abhiyan to revive the economy and make the country self reliant. The progress and implementation of these measures on the ground will unveil the recovery path for the economy. The overall environment in India continues to be favourable for enhanced deal activity due to attractive valuations. However, the tax and regulatory environment seems to be stiffening to protect the interest of revenue. India's response to this crisis will not only determine its situation in H2 but next few decades.



MSME reforms will benefit economy greatly



Leena Madhok
Director, Compliance & Outsourcing
Grant Thornton Advisory Private Limited

In order to give an interim relief from the severe setback caused by the COVID-19 pandemic, the government has come out with many relaxations under the Companies Act, the Foreign Exchange Management Act, the MSME Act to boost the economy and provide some positivity.

Major relaxation under the Companies Act has been that no late fees is being imposed on delayed filing of forms till September 2020. Further board meetings for approval of financial statements, board report, restructuring, etc., can be held via videoconferencing till 30 June 2020. Annual general meeting can be held through videoconferencing till 31 December 2020, expenditure done on activities related to COVID-19 is eligible for CSR, gap between two board meetings can be up to 180 days (instead of 120 days) till 30 September 2020 and exemption to resident director from staying in India for 182 days in financial year 2019-20.

Major reform under the MSME Act introduced is revision of registration eligibility for the MSMEs and addition of turnover as a criteria along with investment in plant and machinery, in order to bring more entities under the MSME segment. Several favourable schemes have been launched, such as:

- Collateral-free loans for businesses
- Subordinate debt for stressed MSMEs
- Equity infusion through 'fund of funds' in MSMEs with growth potential and viability
- Disallowing global tenders in government procurement tenders of up to INR 200 crore
- Promote e-market linkage for MSMEs to act as a replacement for trade fairs and exhibitions
- Using fin-techs to enhance transaction-based lending using the data generated by the e-marketplace

- Release MSMEs receivables from government and central public sector enterprises in 45 days and launching CHAMPIONS portal to help small units grow by solving grievances and providing them end-to-end support.

These reforms are the utmost need of the hour and have been introduced at the right time by the government. The economy is expected to benefit greatly.

Amid rising global concerns around trade wars and slowdown in growth, India is striving to be a preferred destination for global investors. The relaxations under the Companies Act will reduce financial burden as there is no late filing fees and no penalties for delay in filing forms for entities who have been non-compliant due to any reason but wish to be compliant now. Relaxations under foreign exchange laws will enhance the short-term liquidity of the companies. Restrictions for investments from countries sharing land border would help in development of local business ownership and reduce the chances of cross-border takeovers.

The Ministry of Labour and Employment is merging 44 central labour laws into four labour codes in 2020. These laws relate to wages, industrial relations, social security, safety, health and working conditions. The Codes are expected to improve ease of doing business for employers while safeguarding the interest of workers. Many states have suspended operation of most of the labour laws for a period of three years.

The reforms under the MSME Act will boost the number of MSME registrations. The government has tried to revive not only the potentially viable MSMEs but also the stressed ones. Around 45 lakh units will be benefitted from collateral free loans and around two lakh stressed MSMEs will be benefitted by subordinate debts. The government procurements of up to 200 crore from local suppliers will help India to be self reliant. Post-covid trade fares will be difficult, therefore e-linkage market is being provided to the MSMEs. We are expecting more streamlining of existing reforms and introduction of new ones in order to build a self-reliant India.

Suspension of filings under IBC and its impact on the deal activity



Ashish Chhawchharia
Partner
GT Restructuring Services LLP

The recent few weeks have been unprecedented. Events like the pandemic, it may be safe to say, have never been seen before. The external shock to the economy caused by the COVID-19 pandemic and the resulting disruption to business operations has brought superpowers on their knees. India is a developing economy catering to a massive 1.3 billion population. Steps taken by the government, such as lockdown and relief measures announced, are also in an uncharted territory and there is little consensus on the impact of such measures. One such measure introduced by the recent Ordinance amends the Insolvency and Bankruptcy Code (IBC) to effectively suspend any filings by creditors or sponsors for covid related defaults for a period of six months (extendible to one year). The defaults occurring post 25 March are being ring-fenced and not considered as defaults for purposes of the IBC.

The Reserve Bank of India (RBI) has also taken cognisance of this situation and provided a moratorium on debt servicing in most corporate situations for a period of six months, roughly coinciding with the suspension window for IBC filings. While moratorium allows the corporate additional time to service its debt, there is no announcement for waiver of interest or principle. Undoubtedly, the stress in the economy and several businesses (barring a few sectors) is real and cannot be addressed by deferring the debt servicing. Loss of revenues and fixed costs incurred by businesses are real and cannot be recouped in short term. It is widely predicted that large insolvency filings are expected once this period of 'moratorium' is over in six or 12 months.

While an over-burdened judiciary may focus on ongoing cases and pre-25 March default cases, the special needs for stressed companies cannot be overlooked. Short-term cash flow needs could be met by liquidity enhancement measures of the RBI but in longer term, these businesses will require some intervention to remain solvent and tide over this crisis.

In terms of deal activity, H2 2020 is expected to have lower number of deals under the IBC resolution process. This is driven not only by the fact that a 'moratorium' has been provided for new filings but also that foreign capital now has various other attractive opportunities globally and it may find Indian processes quite cumbersome. Also, some of the deals concluded under the IBC over the last three to four months are likely to face implementation delays as the successful bidders may be facing their own crisis triggered by the pandemic.

This does not mean that all M&A advisors can pack their bags and plan alternate professions. We would witness a substantial number of deals for promoter financing, bridge funding, mezzanine financing or equity stake sale deals, opening a unique window of opportunity for private equity, special situation funds and ARCs. Takeover or stake purchase by PE not only brings smart money, but much needed professional management, financial discipline and macro-economic expertise, which would boost the chances of a turnaround.

This special time period with a breather on the IBC admission also provides a unique opportunity to plan and implement pre-packs, a successful and effective tool yet to set foot in Indian bankruptcy resolutions. Pre-packs differ from CIRP or proposed loan-sale guidelines of the RBI in one important aspect – they usually do not need a public process (hence the name pre-pack), which, despite bringing some opacity, often may prove to be the quickest route to a resolution of the sick entity. Once again, PE capital would form an inevitable milestone in such turnaround journey of many stressed corporates. However, it will be incumbent upon the deserving businesses to act fast and find a way to put themselves first in front of the limited sources of risk capital available in India today. Early bird catches the worm.

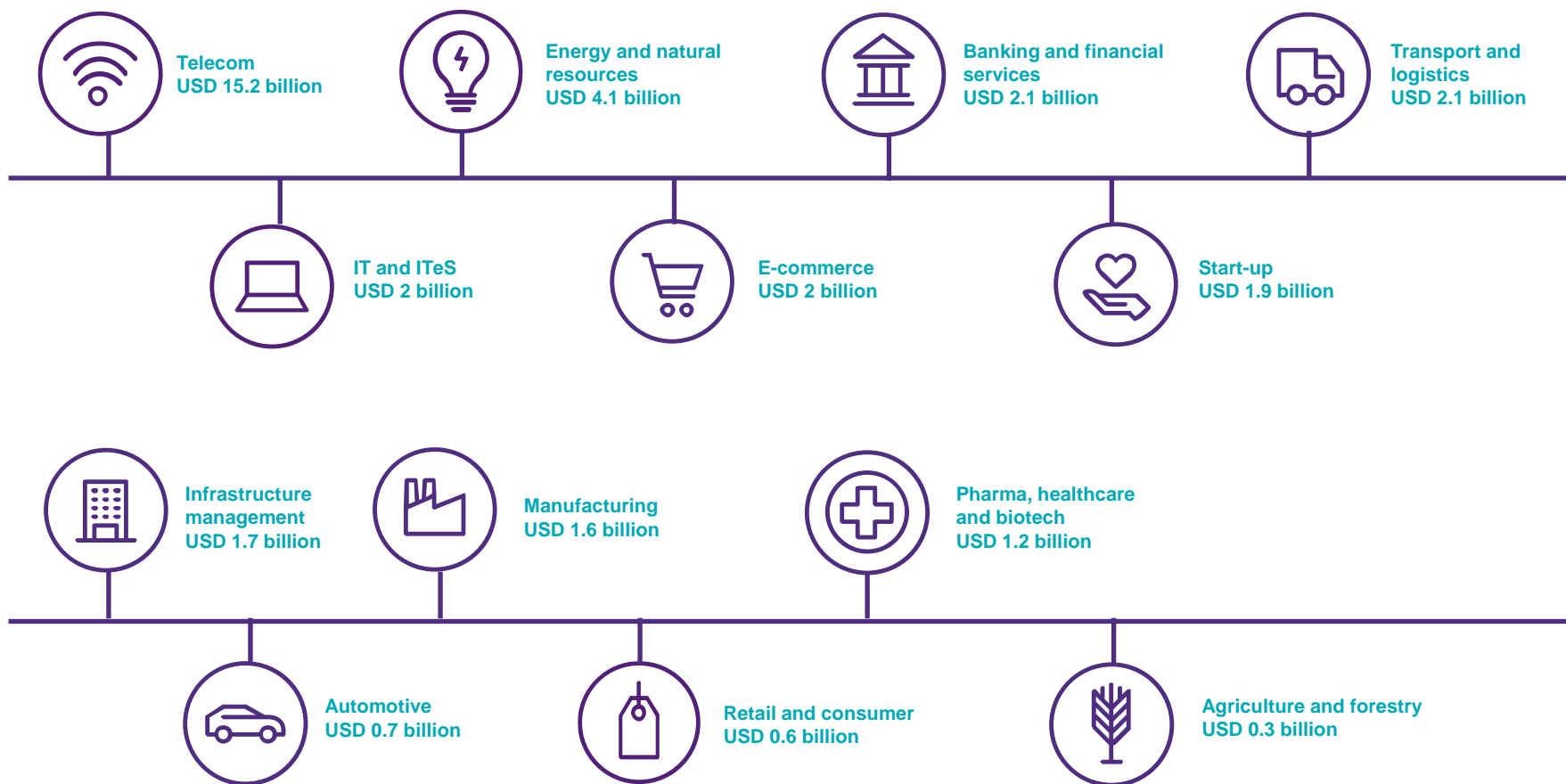
Look forward to seeing where we end this year as the story evolves. The only certainty we have is that any prediction we make will be wrong.

Sector spotlight

- Top sectors based on values
- Top sectors based on volumes
- Start-ups and e-commerce
- IT and ITeS
- Banking and financial services
- Pharma, healthcare and biotech

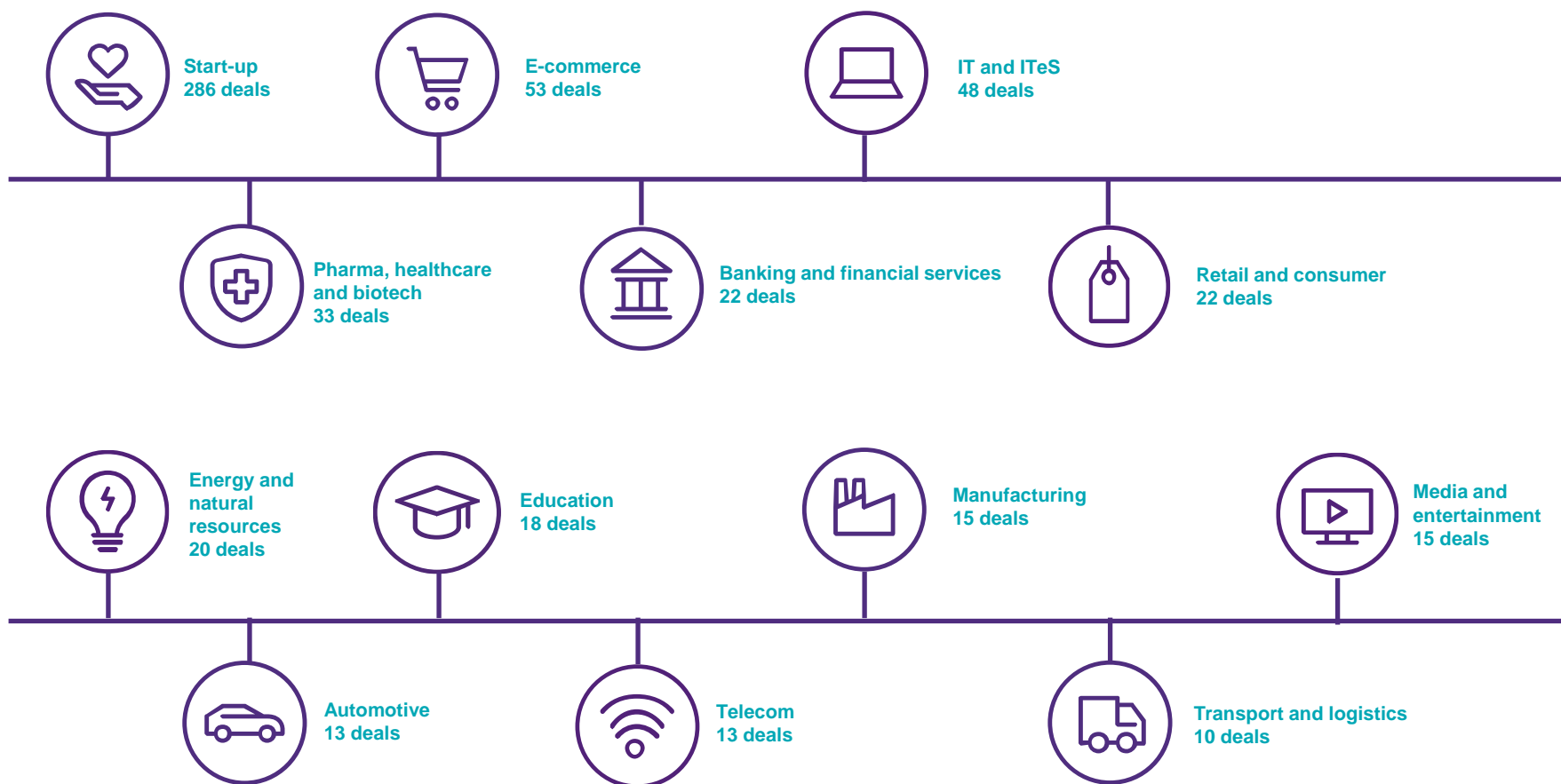
Overall sector focus - H1 2020

Top sectors based on values



Overall sector focus - H1 2020

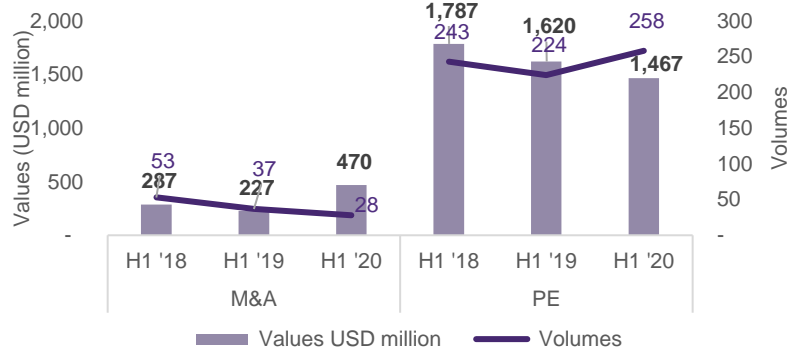
Top sectors based on volumes



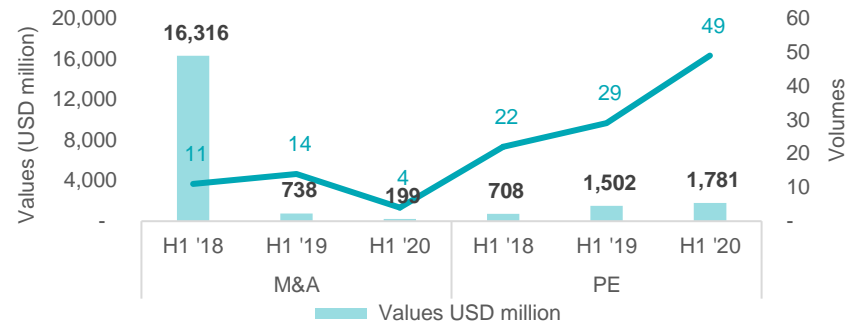
Start-up and e-commerce



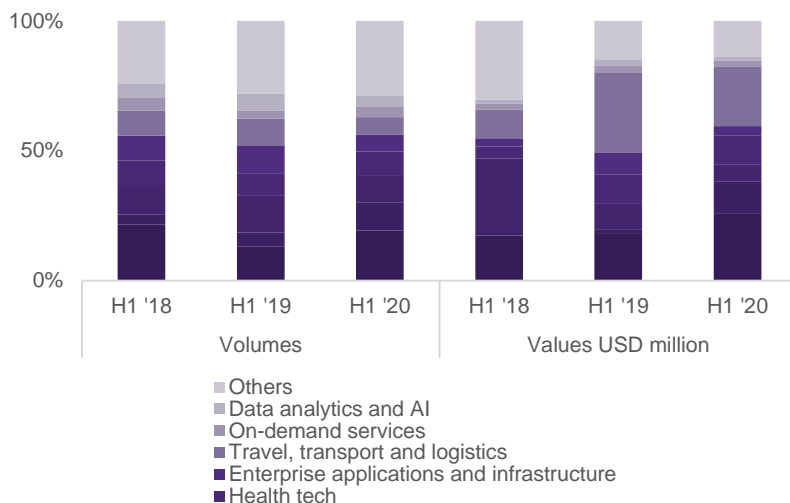
Start-up deal trend



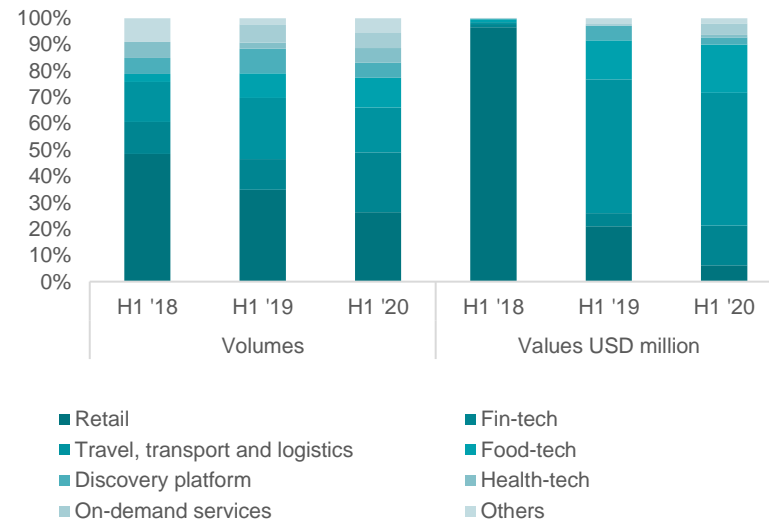
E-commerce deal trend



Start-up sub-sector classification



E-commerce sub-sector classification



Start-up



Deal highlights

Top M&A deals - H1 2020				
Acquirer	Target	Value (USD million)	Deal type	% stake
Zomato Media Pvt Ltd.	Uber Technologies Inc.- Uber Eats India Pvt. Ltd.	350	Acquisition	100%
Xiaomi Corp.	Eloquent Info Solutions Pvt Ltd.- WorkIndia	6	Minority stake	N.A.
Hindustan Media Ventures Ltd.	Shree Aashiyana Online Private Limited- Zvesta	6	Minority stake	N.A.
Info Edge India Ltd.	Sunrise Mentors Pvt. Ltd.- CodingNinjas	5	Strategic stake	25%
Vedantu Innovations Pvt. Ltd.	Adinio Services Private Limited- Instasolv	2	Minority stake	N.A.

Top PE deals - H1 2020			
Investor	Investee	% stake	Value (USD million)
Temasek, Castle Investments, Equip Capital, Pathiti Investment Trust, Unilever Venture Holdings, GableHorn Investments, Ascent Capital, Accel Partners and Chiratae Ventures	Curefit Healthcare Pvt. Ltd.	N.A.	117
Facebook, General Atlantic, Sequoia India, Nexus Venture Partners, Steadview Capital, Blume Ventures and angel investors	Sorting Hat Technologies Private Limited- Unacademy	N.A.	110
A91 Partners, Faering Capital, TVS Capital and angel investors	Go Digit Infoworks Services Pvt. Ltd.- Digit Insurance	N.A.	84
Coatue Management, Ribbit Capital, Insight Partners, Steadview Capital and Amplo	Resilient Innovations Private Limited- BharatPe	N.A.	75
B Capital, Sequoia India, Partners of DST Global, Tencent, GGV, RTP Global, Hummingbird Ventures, Falcon Edge Capital, Rocketship.vc, Unilever Ventures and angel investors	Kyte Technologies Inc- Khatabook	N.A.	60

E-commerce



Deal highlights

Top M&A deals - H1 2020				
Acquirer	Target	Value (USD million)	Deal type	% stake
PayU Payments Private Limited	Paysense Services India Pvt. Ltd.	185	Controlling Stake	N.A.
Mahindra First Choice Wheels Ltd.	Fifth Gear Ventures Ltd. - carandbike.com	4	Acquisition	100%
Easypolicy Insurance Web Aggregators Pvt Ltd.- Easypolicy	Quickbima.com	N.A.	Acquisition	100%
Phasorz Technologies Pvt. Ltd.- DocsApp	Medi Assist Healthcare Services Ltd.- MediBuddy	N.A.	Merger	100%

Top PE deals - H1 2020			
Investor	Investee	% stake	Value (USD million)
Softbank and RA Hospitality Holdings	Oravel Stays Pvt. Ltd.- OYORooms.com	N.A.	807
Ant Financial	Zomato Media Pvt. Ltd.	N.A.	150
Naspers, Hadley Harbour Master Investments and Meituan-Dianping	Bundl Technologies Pvt. Ltd.- Swiggy.com	N.A.	113
Accel Partners, B Capital, Chiratae Ventures, Falcon Edge, Maverick Ventures, Omidyar Network India, Qualcomm Ventures and Sequoia Capital India	Wickedride Adventure Services Pvt. Ltd.- Bounce	N.A.	105
Tahoe Investment Group, Mercer Investment, EDB Investments, Kharis Capital and angel investors	Home Interior Designs E-Commerce Pvt. Ltd.- Livspace	N.A.	60



Aditya Khanna
Director, Advisory
Grant Thornton Advisory Private Limited

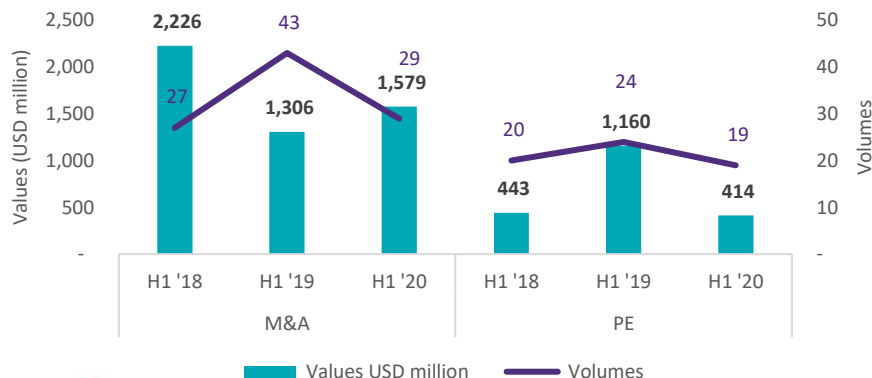
Grant Thornton Insights

- While over USD 10 billion was mobilised by start-ups/e-commerce players in 2019, investors expect these sectors to see only a fraction of these inflows in 2020. Revised FDI policy that requires prior government clearance for investments from countries with which India shares its land border, is also expected to impact investor sentiment.
- With significant monthly cash burn that has typically been associated with these segments and the limited cash runway available, especially for early stage players, we are likely to see several consolidation opportunities in H2 2020.
- Select niches, such as ed-tech, health-tech, IoT that have seen significant consumer traction amidst the lockdown, are already witnessing heightened investor interest that is expected to continue into H2 2020.

IT and ITeS



IT and ITeS sector trend



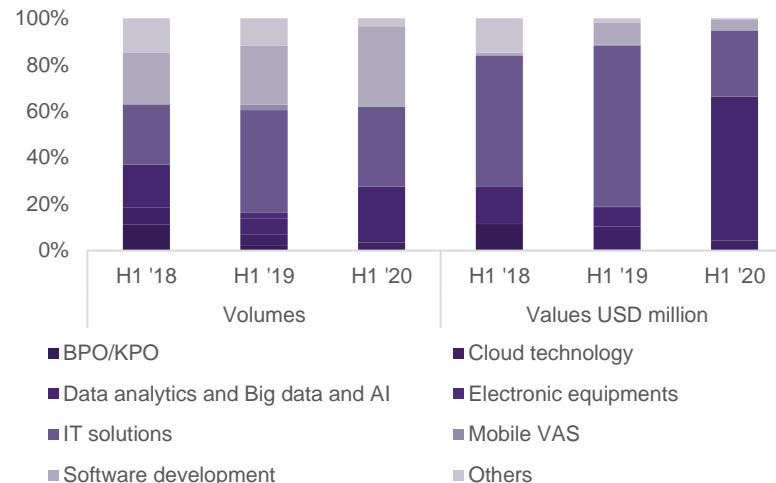
Shanthi Vijetha
Partner
Grant Thornton India LLP

Grant Thornton Insights

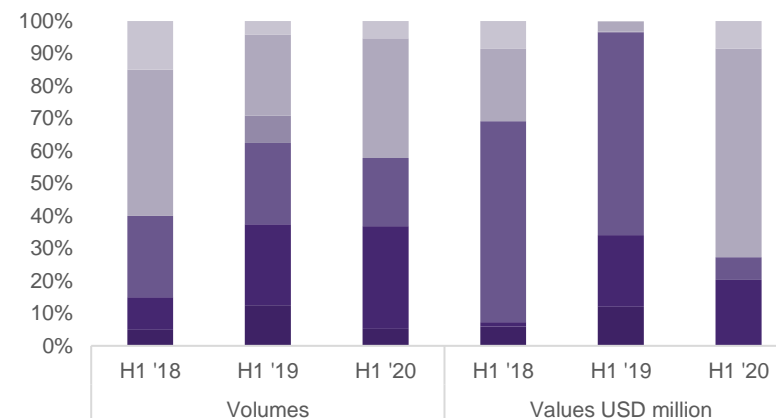
The IT and ITeS sector has responded quickly to the pandemic and upgraded to the new normal of working from home with minimal disruption to client delivery. However, the deal environment got impacted as the top priorities for corporates was to protect employees and stabilise operations and for PEs to support their portfolio companies during this difficult period. Hence, inorganic growth initiatives were put on the backburner, which resulted in decline in deal volumes. M&A deal value was higher due to USD 950 million data analytics/AI deal and USD 250 million IT solutions deal, whereas PE deal value declined as the largest deal was of USD 150 million compared to five USD 50 million+ deals worth USD 1,026 million in H1 2019.

This pandemic has made businesses accelerate their investments in the emerging technologies (cloud, AI, data analytics, digitisation, etc.). So the India IT and ITeS sector will push this digital transformation and technology enablement agenda globally by building capabilities and capacities through value-buy of covid-impacted/cash-strapped small- to mid-size companies. Be it start-ups with a focus on convergence of technologies or mid-size companies with emerging technologies capabilities and established customer relationships. Large corporates with a strong cash position and PEs with dry powder would pursue these strategic partnerships/growth opportunities. So expect deal activity in this sector to improve post easing of the lockdowns, however, the way the pandemic pans out in future would have a bearing in the end.

M&A sub sector classification



PE sub sector classification



IT and ITeS



Top M&A deals - H1 2020				
Acquirer	Target	Value (USD million)	Deal type	% stake
Clarivate Analytics Plc	Piramal Enterprise Ltd.- Decision Resources Group	950	Acquisition	100%
Infosys Ltd.	Simplus- Outbox Systems Inc.	250	Acquisition	100%
Sinch AB	ACL Mobile Ltd.	70	Acquisition	100%
Tech Mahindra Ltd.	Zen3 Infosolutions (America) Inc. and its Indian unit	64	Acquisition	100%
HCL Technologies Ltd.	Cisco Systems Inc.'s SON (self-optimizing network) technology	49	Acquisition	100%

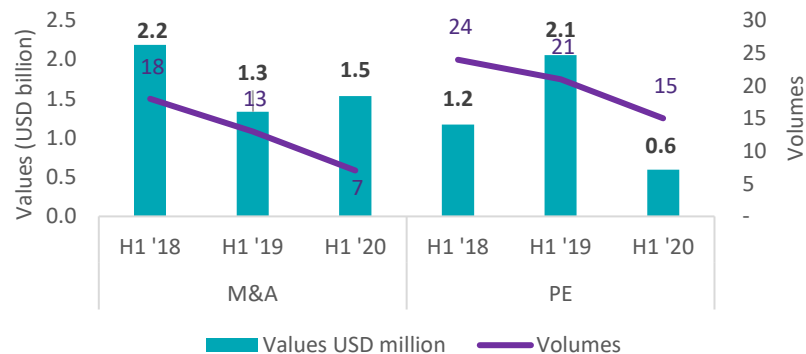
Top PE deals - H1 2020			
Investor	Investee	% stake	Value (USD million)
Insight Partners, CRV and Nexus Venture Partners	Postdot Technologies Pvt. Ltd.- Postman	N.A.	150
Tiger Global Management and Avatar Growth Capital	SirionLabs Inc.	N.A.	44
Tiger Global and Steadview Capital	LogiNext Solutions Pvt. Ltd.- loginextsolutions.com	N.A.	39
Motilal Oswal Private Equity- India Business Excellence Fund-III	VVDN Technologies Pvt. Ltd.	N.A.	35
Sequoia Capital India, Eight Roads Ventures, F-Prime Capital and Cisco Investments	Quicko Technosoft Labs Pvt. Ltd.- Whatfix	N.A.	32

- The overall IT and ITeS sector recorded a declining trend both in terms of deal values by 19% and deal volumes by 28% as compared to H1 2019.
- This year witnessed attractiveness of the tech sector across IT solutions, data analytics and SaaS-based verticals.
- Home-grown IT giants like, Infosys, Tech Mahindra and HCL technologies dominated the M&A space with top deals, while the sector attracted a lot of foreign and domestic funds with 19 investments totaling to USD 0.4 billion.
- The sector recorded only three deals valued and estimated at and over USD 100 million each capturing 68% of the sector values compared to nine such deals seen in H1 2019 totaling to almost the total sector deal values in H1 2020.

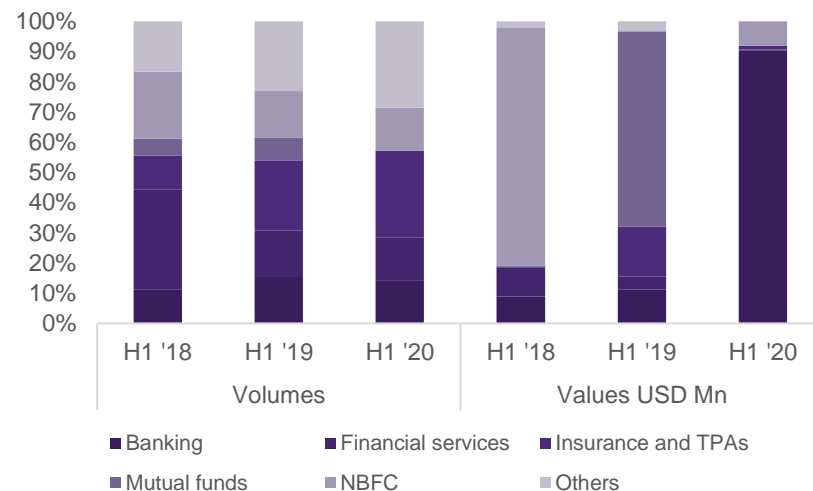


Banking and financial services

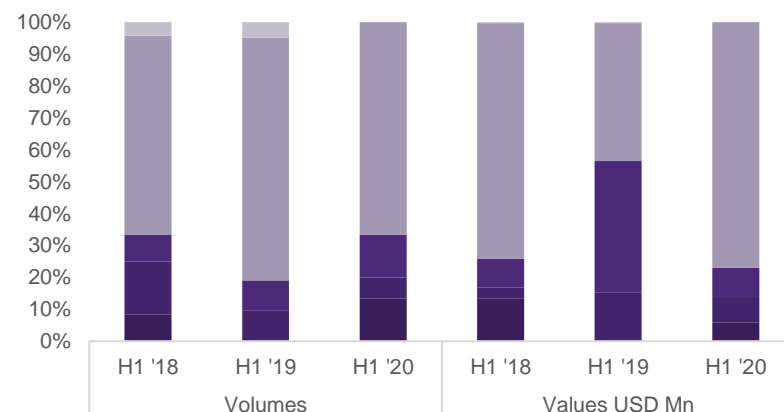
Banking and financial services sector trend



M&A sub sector classification



PE sub sector classification



Khushroo Panthaky
Chartered Accountant,
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Insights

The investment by SBI and the consortium of banks into Yes Bank was the key highlight in the BFSI sector in the current period. The existing crisis in the sector was further deepened by the COVID-19 pandemic, which could trigger further impairment of the loan book quality of banking and NBFC sub-sectors. Similarly, volatility in stock markets due to the pandemic and global macro-economic factors also impacted the performance of mutual funds. While, measures rolled out by Government of India and the RBI would act as a breather to the sector, the need for fund infusion to maintain liquidity is expected to stimulate M&As and PE investments.

Banking and financial services



Deal highlights

Top M&A deals - H1 2020				
Acquirer	Target	Value (USD million)	Deal type	% stake
State Bank of India, Housing Development Finance Corporation, ICICI Bank, Axis Bank, Kotak Mahindra Bank, Federal Bank, Bandhan Bank, IDFC First Bank	YES Bank Ltd.	1,389	Majority stake	N.A.
Nexon Co., Ltd.	DMI Finance Pvt. Ltd.	123	Minority stake	N.A.
Navi Technologies	DHFL General Insurance Limited	14	Acquisition	100%
Adani Capital Pvt. Ltd.	Essel Finance's- MSME loan business	N.A.	Acquisition	100%
Axis Bank Ltd.	Max New York Life Insurance Company Ltd.	N.A.	Increasing stake to 30%	29%

Top PE deals- H1 2020			
Investor	Investee	% stake	Value (USD million)
Brookfield Asset Management	IndoStar Capital Finance Limited	40.0%	204
Warburg Pincus and Creation Investments	Fusion Microfinance Pvt. Ltd.	N.A.	70
Aquiline Technology Growth, RTP Global, Sequoia India, Prime Venture Partners, MegaDelta, Vivriti Capital, Credit Saison, undisclosed South Korean and Japanese investors	MWYN Tech Pvt. Ltd.- Moneytap	N.A.	70
Norwest Venture Partners, Kedaara Capital, Lok Capital Growth Fund and angel investor	Veritas Finance Private Limited	N.A.	46
Kedaara Capital	Religare Health Insurance Co. Ltd.	6.7%	28

The overall deal activity within the sector declined compared with H1 2019. Banking and financial sector witnessed only seven M&A transactions valued at USD 1.5 billion in H1 2020, a 15% increase in deal values despite 46% fall in the deal volumes. However, contrary to M&A, PE deal values fell by more than three times compared with H1 2019 with 35% fall in investment volumes. H1 2020 also saw the lowest investment values recorded for January-June in the last seven years.

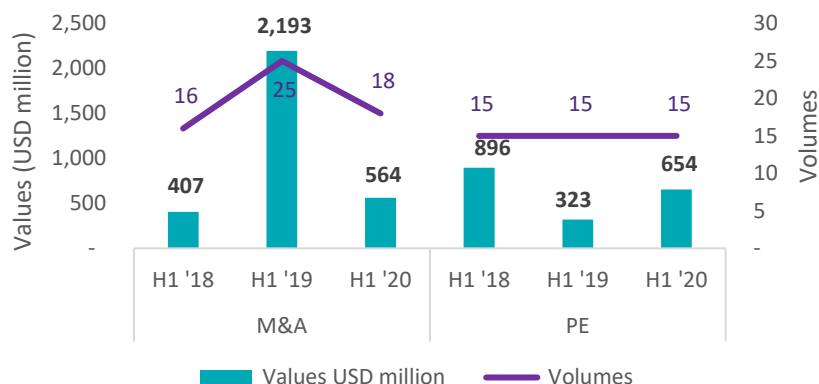
Absence of large transaction, only three deals valued over USD 100 million compared with 10 such deals in H1 2019, resulted in the overall fall of deal values.

As the world is battling on all fronts against the COVID-19 pandemic, banking sector in India too faced its consequences. In order to ensure normal business functioning by the entire banking sector, RBI Governor on 27 March 2020 introduced several measures, including grant of a three months moratorium on term loans and the infusion of liquidity by way of TLTRO scheme. The RBI Governor's address on 17 April 2020 was intended to introduce further measures to maintain adequate liquidity in the financial system by easing out the financial stress. The third address on 22 May 2020 extended deadlines, made changes in some previously announced measures and introduced new measures including limit on Group Exposures under the Large Exposures Framework and relaxation of guidelines for Consolidated Sinking Fund of state governments.

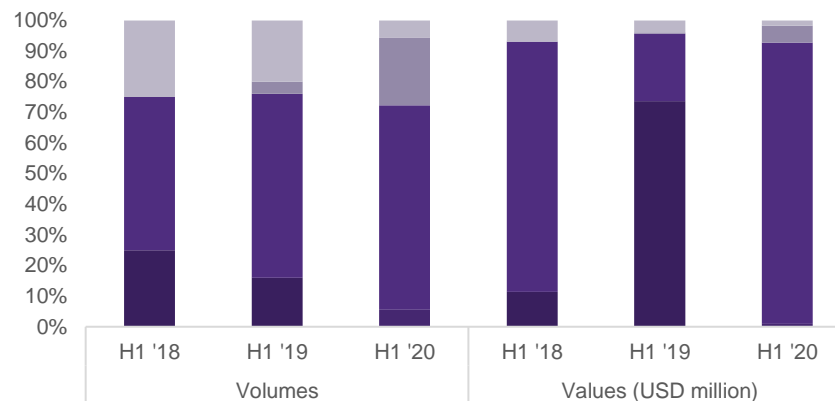
Pharma, healthcare and biotech



Pharma, healthcare and biotech sector trend

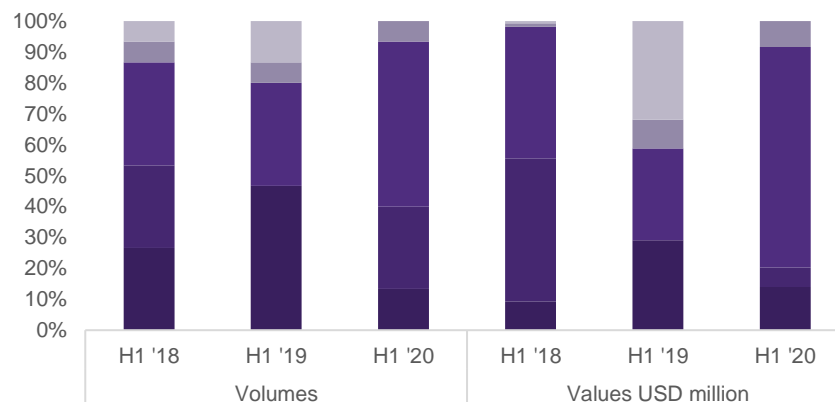


M&A sub sector classification



■ Hospitals ■ Medical devices ■ Pharma and biotech ■ Primary healthcare ■ Others

PE sub sector classification



Santhosh C
Director
Grant Thornton
India LLP

Grant Thornton Insights

The subdued deal activity in H1 2020 when compared with H1 2019 saw ~74% dip in M&A transactions. This was attributed to the COVID-19 pandemic.

Acquisition of SeQuent Scientific Ltd. by Carlyle in a majority secondary transaction and MOPE investing in Molbio diagnostics were some highlights of PE transactions in this space.

As the economy gradually opens across the sectors and nations around the world plan to avert dependencies on raw material supplies and production from China, we expect India to be a preferred investment hotspot in H2 2020 further guided by expedited USFDA approvals to pharma facilities, CRO, CDMO/CMO labs.

There could also be significant focus and investment into medical device and healthcare infrastructure backed by strong government demand.

Pharma, healthcare and biotech



Deal highlights

Top M&A deals - H1 2020				
Acquirer	Target	Value (USD million)	Deal type	% stake
Dr. Reddy's Laboratories Ltd.	Wockhardt Ltd.'s generics drug business in India and other countries	260	Acquisition	100%
Novavax Inc.	Serum Institute of India Pvt. Ltd.- Praha Vaccines a.s.	167	Acquisition	100%
Aster DM Healthcare	Wahat AI Aman Home Healthcare LLC	29	Acquisition	100%
Piramal Enterprises Ltd.- Piramal Pharma Solutions Inc	G&W Laboratories Inc. - solid oral dosage drug manufacturing facility	18	Acquisition	100%
Hubei Biocause Heien Pharmaceuticai Co Ltd.	Granules-Biocause Pharmaceutical Co. Ltd.	16	Increasing stake to 100%	50%

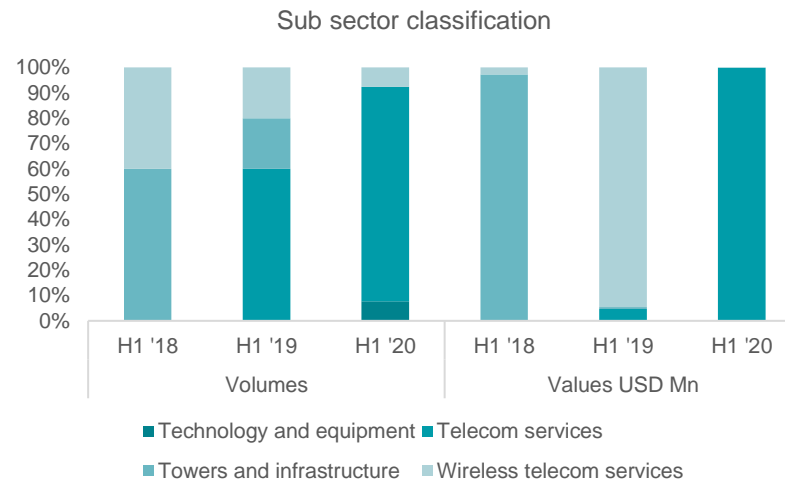
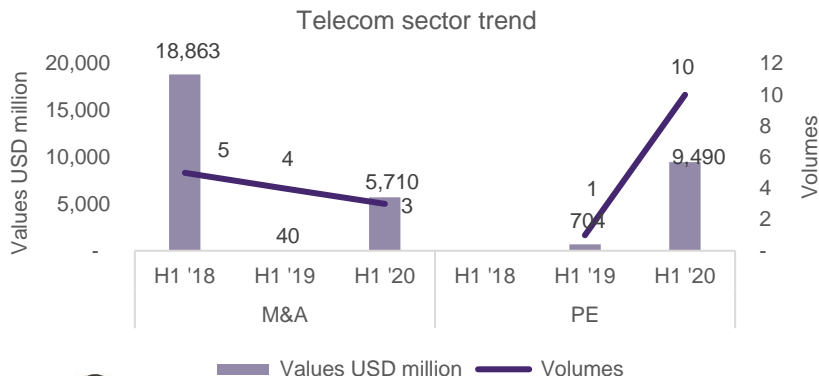
Top PE deals - H1 2020			
Investor	Investee	% stake	Value (USD million)
The Carlyle Group	SeQuent Scientific Ltd.	74.0%	210
ChrysCapital	Intas Pharmaceuticals Ltd.	3.0%	132
CVC Capital	HealthCare Global Enterprises Ltd.	31.0%	82
True North	Biocon Biologics India Limited	2.4%	76
LeapFrog Investments, Sofina and Sequoia Capital	MedGenome Labs Pvt. Ltd.	N.A.	55

- The pharmaceuticals sector witnessed 18 M&A transactions in H1 2020, valued at USD 564 million. These were the second lowest deal volumes and deal values recorded in the first six months since 2011. On the contrary, PE investments values recorded 102% increase with muted deal volumes compared with H1 2019.
- Overall, the sector saw only four deals valued at and above USD 100 million compared to seven such deals witnessed in H1 2019.
- While pharma and biotech segments dominated the overall deal activity within the sector, consolidations were seen in the primary healthcare segment and PE investors showed heightened interest in the medical devices segment.
- M&A deals within the sector were dominated by domestic consolidation with 67% of the total M&A deals volumes, while, inbound and outbound transactions saw three deals each.
- PE investments were primarily raised with a view of business expansion, growth acceleration, growing customer base, product innovation and developing new age technology to support the sector activity.

High value consolidation sectors

- Telecom
- Energy and natural resources

Telecom



Manish Saxena
Partner
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Grant Thornton Insights

The telecom industry is one of the few that has been positively affected due to the pandemic. The new normal, such as work from home, e-education, Industry 4.0, are expected to increase the demand for telecom services, particularly, data. As per some reports, the industry is expected to grow by 15-20% amid the economic slowdown. This is reflective in the valuations where the BSE Telecom index improved by approximately 20% compared with December 2019. Further, valuation multiples of the major listed telecom players – Vodafone Idea Limited (VIL) and Bharti Airtel Limited (BAL) have seen a significant increase during the same period.

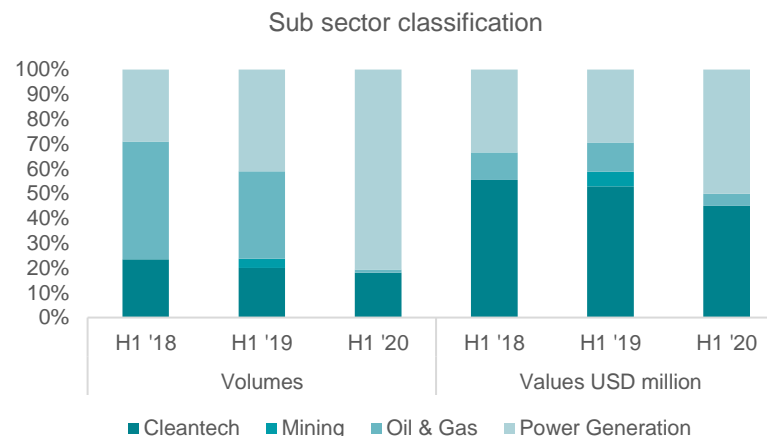
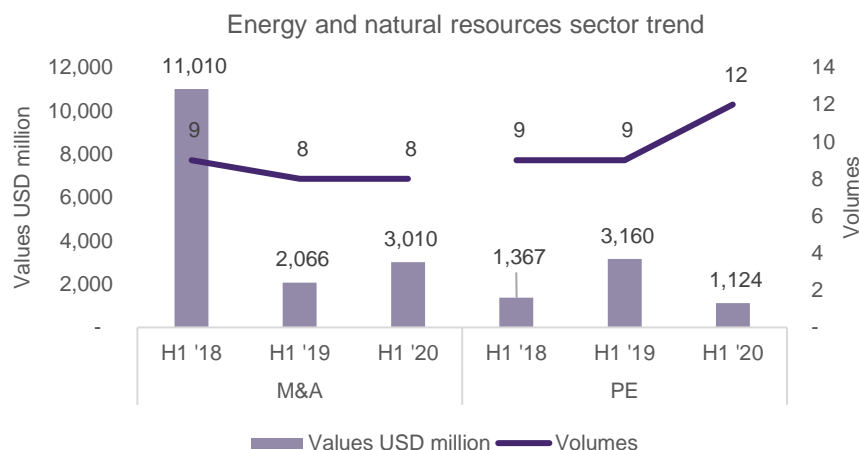
The Indian telecom industry is the second largest in the world with a subscriber base of over 1.2 billion, of which almost 50%, still do not have access to data services that encapsulates the enormous growth potential of the sector. This perhaps accounts for a slew of investments that the sector has attracted.

Reliance Jio led the pack with Facebook kick-starting investments in Jio Platforms with a 10% stake. As per reports, Facebook is primarily looking to integrate WhatsApp with Jio's small business platform, Jio Mart enabling it to monetise the messaging app through enabling a local business-customer interaction on it through JioMart. Additionally, as per news reports, Alphabet is also reportedly in talks to pick up a 5% stake in VIL, primarily in order to get a foothold in the Indian market while BAL has also been able to attract investments from 15 top global PE houses.

Top deals - H1 2020

Acquirer	Target	Value (USD million)	Deal type	% stake
Facebook Inc.	Jio Platforms Ltd.	5,700	Minority stake	10%
Vista Equity Partners	Jio Platforms Ltd.	1,496	PE	2.3%
KKR	Jio Platforms Ltd.	1,496	PE	2.3%
Public Investment Fund (PIF)	Jio Platforms Ltd.	1,496	PE	2.3%
Mubadala	Jio Platforms Ltd.	1,197	PE	1.9%

Energy and natural resources



Sridhar V

Partner
Grant Thornton India LLP

Grant Thornton Insights

A sector that has gone through high volatility is the oil segment. With the pandemic playing a spoilsport, one is surprised that it has not lost momentum either in terms of number of deals or values. This signifies the critical nature of the sector across different spheres of economy. We have seen more deals in the energy and clean-tech space. The government disinvestment process in THDC and NEEPCO in the energy segment has contributed the most in value terms. There are a few private deals in JSW-GMR and PE investments by Goldman Sachs and KKR amounting to a couple of billion dollars again in energy-related business.

We will have more coming once the economy boosts post lockdown as oil and gas segment will be expected to play a significant role on the deal pipeline with Reliance taking center stage.

Top deals - H1 2020

Acquirer/investor	Target/investee	Value (USD million)	Deal type	% stake
NTPC Ltd.	THDC India Limited	1,014	Majority stake	74%
JSW Energy Ltd.	GMR Kamalanga Energy Limited	749	Acquisition	100%
Goldman Sachs and Varde Partners	RattanIndia Power Ltd.	570	PE	N.A.
NTPC Ltd.	North Eastern Electric Power Corporation Ltd	541	Acquisition	100%
Total S.A.	Adani Green Energy Ltd.	510	Strategic stake	50%

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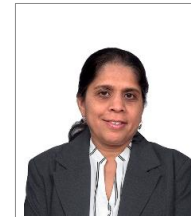
Abhay Anand



Alok Verma



Ashish Chhawchharia



Darshana Kadakia



Dhanraj Bhagat



Manish Saxena



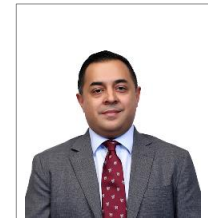
Prashant Mehra



Rahul Kapur



Raja Lahiri



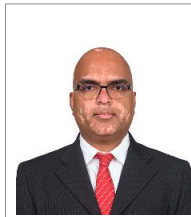
Siddhartha Nigam



Sridhar R



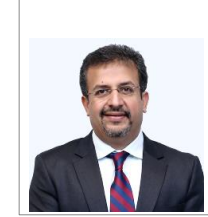
Sridhar V



Shanthi Vijetha



Saurabh Srivastava

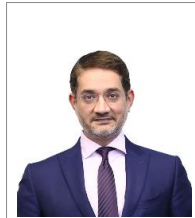


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Rajan Shah



























Santhosh C

Marquee transactions

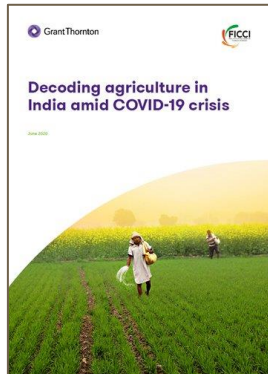
  Acquisition of Zen3 Advisors to Zen3	   Plutus Financials Private equity investment Advisors to AION	 Invested in  Private equity investment Advisors to Vatika	  Acquired Majority stake in Harvest Gold Advisors to Harvest Gold	  Investment in Luminous Advisors to Luminous	 Leveraged Buyout of   Acquisition Financing by Integrated Asset Management LBO of Teutech with acquisition financing by Integrated Asset Management Advisors to Hi-Tech
  Investment in Micromax Advisors to Micromax	   Investment in Micromax Advisors to Micromax	  Investment in Sutures India Healthcare Advisors to Sutures India	  Acquired Satyam Cineplexes Advisors to Inox	  Investment in Matrix Advisors to Matrix	  Private Equity Investment Advisors to Livguard

Select transaction advisory credentials

  <p>Acquisition of Minority stake in Astro-Vision</p>	   <p>Private Equity Investment in BD Parenting Infotech Pvt Ltd.</p>	  <p>Vendor Due Diligence for Investment in WebKlipper Technologies Pvt Ltd.</p>	  <p>Vendor Due Diligence for Investment in 99 Algorithms Pvt Ltd.</p>	  <p>Vendor Due Diligence for Investment in WoodenStreet Furnitures Pvt Ltd.</p>	 <p>Financial Due Diligence for debt transaction in a Residential real estate Project in Rewari, Haryana</p>
  <p>Investment in LetsShave Private Limited</p>	  <p>Strategic acquisition of Born group</p>	  <p>PE investment in Singularity Automation Private Limited</p>	  <p>Acquisition of Dhunseri Tea & Industries Limited</p>	  <p>Acquisition of Isagro Asia Agrochemicals Pvt Ltd.</p>	  <p>Acquisition of Meru Travel Solutions Private Limited</p>

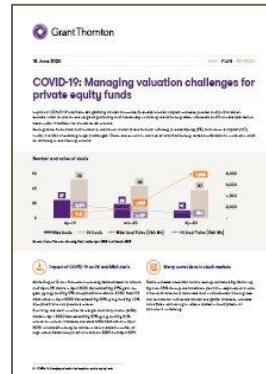
Our COVID-19 publications

Thought Leadership

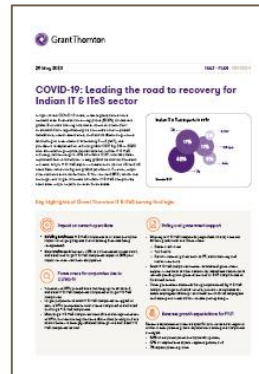


Decoding agriculture in India amid COVID-19 crisis

Flyers



Managing valuation challenges for private equity funds



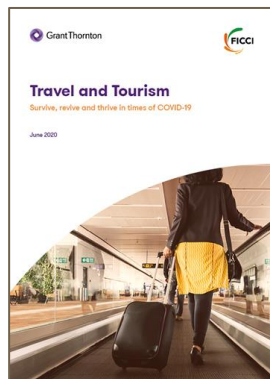
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