Annual Dealtracker

Reforms

Revenue Growth

Consolidation

Providing you with **M&A** and **Private Equity** deal insights

14th Annual edition 2018

Contents

Disclaimer

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Please note that the criteria used to define 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.

Foreword

2018 was a record-breaking year for deal activities in India, surpassing all previous records by crossing the $100 bn deal value mark across both private equity (PE) and M&A transactions.

Deal values in 2018 reached a high of over $110 bn in around 1,250 transactions. The year also recorded the highest deals in the billion-dollar category with 18 deals clocking $72.5 bn. The ongoing capital market and regulatory reforms, constant amendments to reforms like Goods and Services Tax (GST), Real Estate Regulatory Authority (RERA), Insolvency and Bankruptcy Code (IBC), and efforts to improve ease of doing business in the country are signs of increasing depth and maturity, making the Indian markets more attractive.

Deal summary	**Volume**			**Value ($mn)**		
Year	**2016**	**2017**	**2018**	**2016**	**2017**	**2018**
Domestic	306	228	269	12,706	5,834	34,215
Cross-border	189	162	189	27,046	8,140	38,523
Internal mergers and restructuring	17	23	14	3,475	26,451	17,474
Total M&A	**512**	**413**	**472**	**43,227**	**40,425**	**90,211**
Private equity	972	736	786	13,930	20,495	20,450
Grand total	**1,484**	**1,149**	**1,258**	**57,157**	**60,920**	**110,661**
Cross-border includes						
Inbound	90	86	100	20,754	5,962	25,741
Outbound	99	76	89	6,292	2,178	12,782

M&A transactions involving Indian companies reached $90 bn in 2018, making it a landmark year for M&A transactions in India. The surge in the deal activities was mainly driven by the objectives of consolidating by expanding the market share, buying technology and diversifying market presence. Additionally, M&As have also proven to be effective in bridging the gaps in the market, resource and the growth outlook among business partners. Corporates improved their inorganic growth strategy through divestment of non-core assets, expanded into newer business segments, and hunted for bargain purchases following the introduction of IBC during 2018.

Emerging as a key driver for deals, domestic consolidation took a larger piece of the pie with around 60% share of the overall M&A transaction values in 2018. This accounts for more than 50% growth over 2017, driven by transactions in the energy sector. Inbound deals accounted for around 30% of the total M&A deal values this year. Walmart and Schneider were among the key global contributors to the investments, and this is expected to trigger further interest from overseas corporates and investors in the coming year. Outbound deal values were around $13 bn, with values jumping six-fold as compared to 2017. This massive scale was driven by three mega billion dollar deals together accounting for around 70% of the total outbound values.

PE activity had a tepid start this year; however, investor confidence in India was evident from the $20 bn invested across the year. The PE landscape in India entered a phase backed by a steady stream of investments and mounting levels of dry powder. Apart from Indian private equity and venture capitalists, a number of global investors showcased interest in the activities of home-grown start-ups and pumped large sums into the system to further capitalise their activities. This resulted in the sector values growing by over two times as compared to 2017. The year also witnessed an increasing focus of global sovereign pension funds and conglomerates on Indian assets, particularly in the consumer and infrastructure space.

While sectors such as telecom, e-commerce, energy, manufacturing, retail and agriculture contributed to high-value deals, start-up, IT, pharma, banking and media sectors attracted the maximum deal activities driving deal volumes in 2018. The continuing push by the government and reforms like RERA, housing for all, bank recapitalisation, Pradhan Mantri Jan-Dhan Yojana, BharatNet and Ayushman Bharat are expected to drive deal activity across sectors in 2019.

The recent uncertainty around trade and Brexit does provide some headwinds, but with one of the fastest growing economies in the world, India's landscape will continue to remain strong for transactions and investments. Despite some caution and restraint in the near term - considering various macroeconomic variables at play such as the 2019 general elections, or any worsening of fiscal conditions due to exchange rate volatility and rising crude oil prices - India's deal outlook for 2019 looks promising due to the increasing interest among the global business community to get a share of the large consumer base in India. In addition to traditional M&A drivers like consolidation and market penetration, deal activity will also be triggered by pressures like technological innovation and digitisation, as companies will be compelled to proactively acquire capabilities that provide a competitive edge.

The outlook for 2019 may be tepid for the first two quarters, it should eventually pick up and end on a positive note, given the strong fundamentals and deal pipelines. However, a lot will depend on the continuing reforms, new policies and pace of reforms post general elections.

Prashant Mehra
Partner
Grant Thornton India LLP

Deal snapshot 2018

- Key highlights
- Key deals to look out for in 2019
- Notable deals that fell apart in 2018
- Monthly deal trend
- IPO and QIP activity

Key highlights

- Epic year for transactions - M&A and PE deals in aggregate crossed the $100 bn mark for the first time in India, reporting $110 bn over 1,258 transactions. M&A transactions were the growth front runners with deals aggregating to $90 bn and PE reporting deals aggregating to $20 bn.
- Big ticket transactions ruled the roost - 18 transactions reported in the billion dollar category aggregating to $72.5 bn and accounting for 66% of the overall value of deals reported.
- Growth in M&A dispersed across sectors for want of diversification (product/ geography), consolidation and winning bargain deals – While telecom led the M&A pack with deal values aggregating to $19 bn on account of a large merger by monetising non-core operations, e-commerce witnessed the single largest transaction in its history and also the largest inbound transaction for India (Walmart – Flipkart transaction $16 bn); consolidation, cross-border and IBC transactions fueled the growth in the manufacturing sector to deals aggregating to $16bn; and energy sector garnered deals aggregating to $12 bn driven by the consolidation fervour and strengthening core capabilities.
- USA executed the highest inbound acquisitions and was also the most favoured destination for outbound transactions both in value and volume terms. There was an uptick in inbound transactions from Singapore, Germany, China and Japan.
- PE deal activity remained muted as compared to 2017 with marginal growth in deal volumes. While start-ups relished big ticket investments; BFSI and e-commerce were fueled with small ticket investments. Deal volumes snowballed in energy and natural resources, e-commerce, retail and consumer, and education sectors.
- Bengaluru, Chennai and Hyderabad continued to attract the highest investments in South India; Gurugram and Mumbai were at the helm in North and West India respectively.
- IPO and QIP activity remained subdued – Market volatility and macro factors dampened the IPO and QIP activity for the year, resulting in <50% fund raising as compared to 2017.
- Record breaking deal activity in 2018, continuing reforms/measures and amendments in acts/laws to improve ease of doing business and bolstering investor confidence are expected to uphold the deal momentum for 2019 subject to a temporary effect from the upcoming national elections

Key deals to look out for in 2019

51% stake sale in IDBI

Sell-out of Mumbai Mall owned by Omkar Realtors and Developers

Stake sale in Zee Entertainment

Ruchi Soya sell-out

Ambani gas pipeline stake sale

Potential cross-border acquisition by India's Motherson Sumi

Radiant to merge with Max Healthcare

Stake sale in Jet Airways

90% stake in Hotel Leela Venture

Notable deals that fell apart

Due to delays in obtaining regulatory approvals and execution

- Warburg Pincus - Tata Technologies Ltd
- Edelweiss Broking Ltd and Edelweiss Comtrade Ltd - Religare Enterprises Ltd's retail broking business (Religare Securities Ltd, Religare Commodities Ltd and depository participant services)
- Orient Cement - Jaypee Nigrie Cement grinding unit and Bhilai Jaypee Cements Ltd
- IndusInd Bank Ltd - IL&FS Securities Services Ltd

Due to restraints under current law

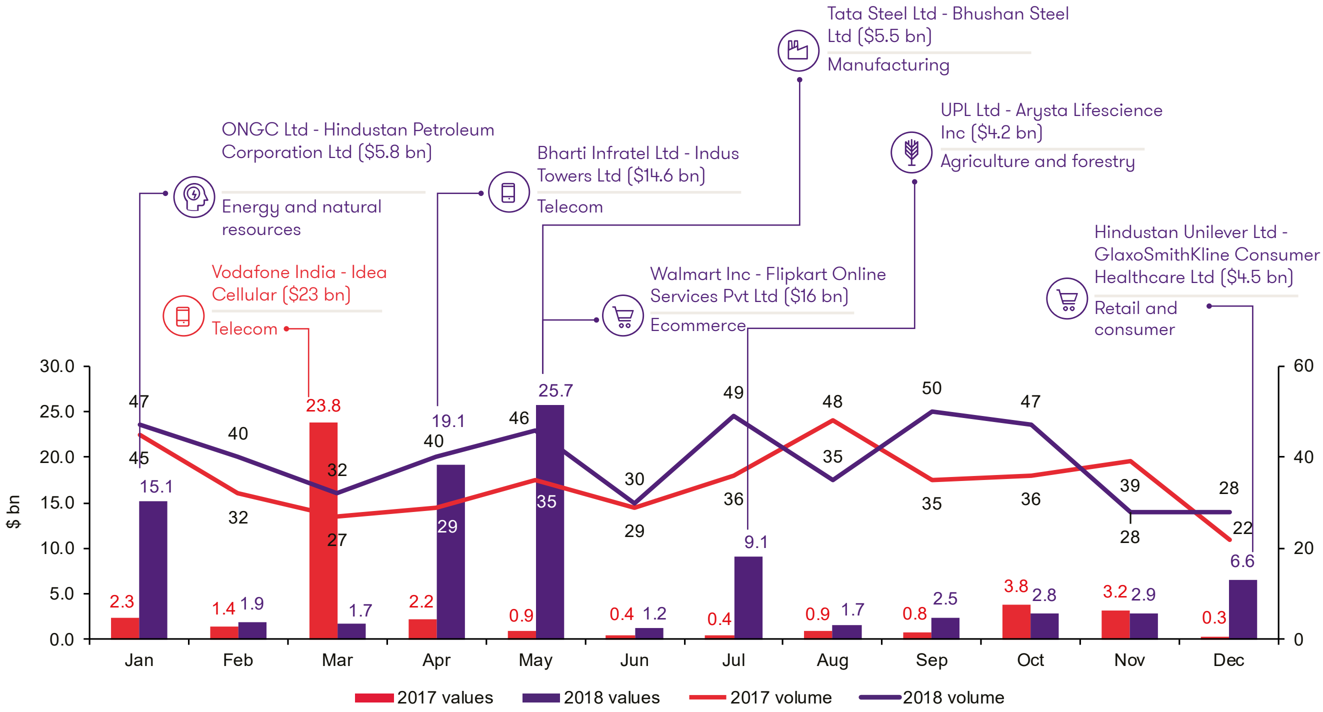
- ACC Ltd - Ambuja Cements Ltd
- Greenko Energy Holdings Pvt Ltd - Orange Renewable Power Pvt Ltd

Due to inability to comply with agreed terms

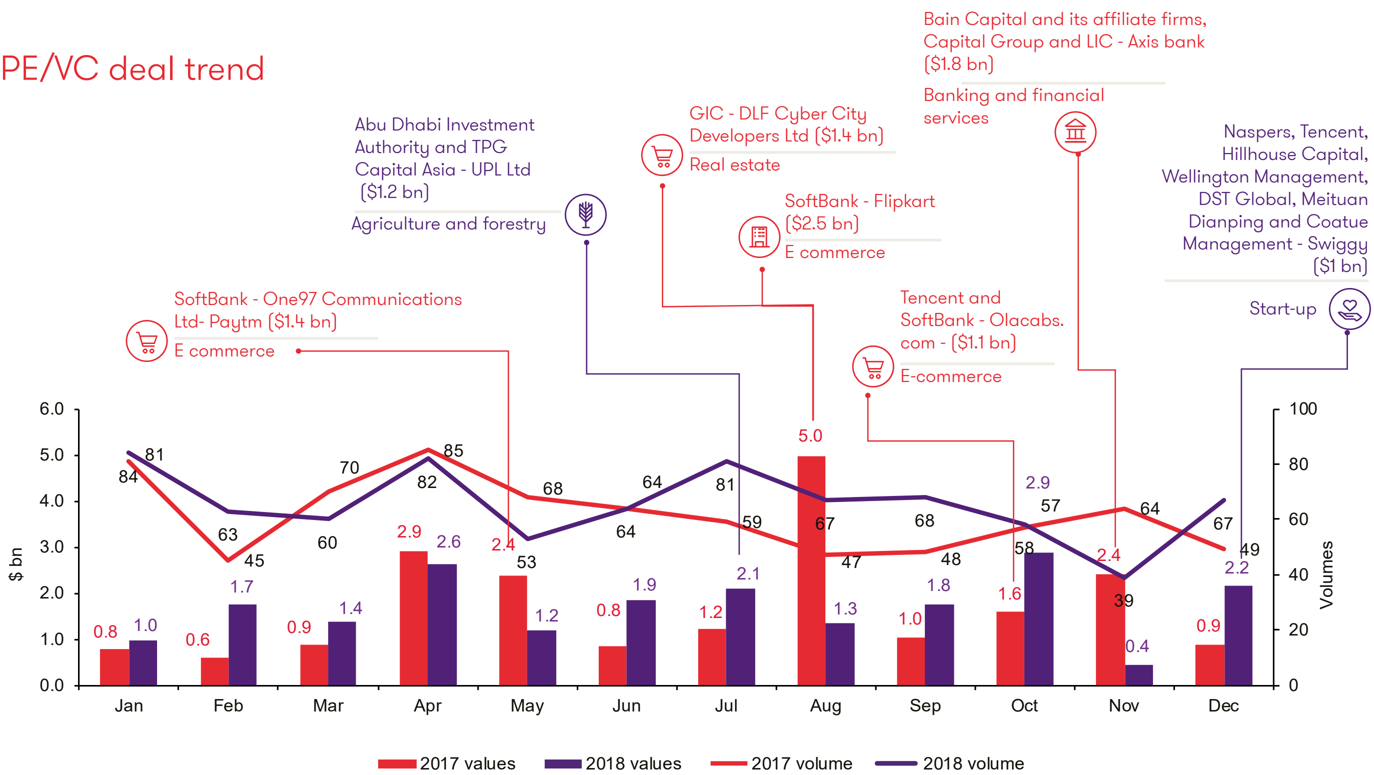
- Zee Entertainment Enterprises Ltd - 9X Media Pvt Ltd and its unit INX Music Pvt Ltd
- JSW Energy - Jaiprakash Power Ventures (500 MW thermal power plant at Bina)

Monthly deal trend

M&A deal trend



PE/VC deal trend

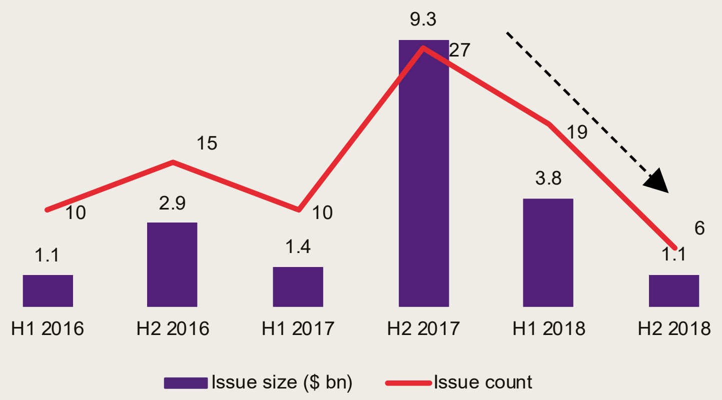


IPO and QIP activity

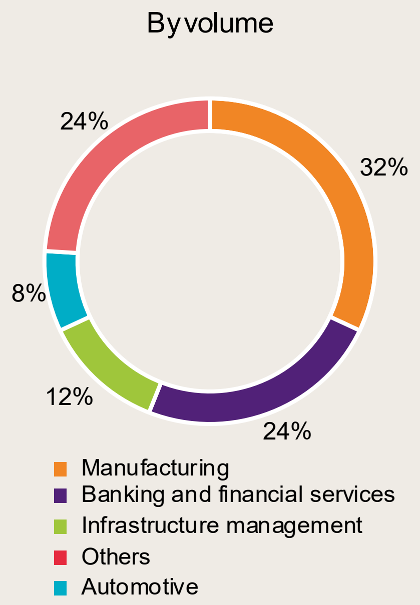
IPO snapshot

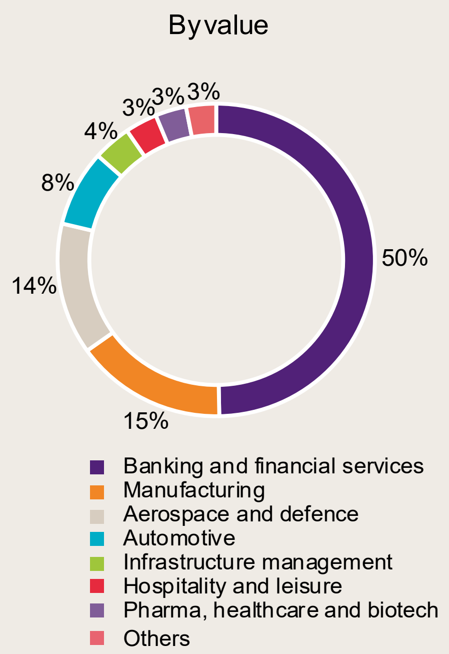
$4.8 bn was raised across 25 IPOs with values dropping more than half over 2017.

Indian companies raised $4.8 bn through IPO in 2018, a decline of 55% from 2017. This decline was mainly due to volatile equity markets and uncertainties in the macro environment on account of high crude oil prices, depreciating rupee and tariff war between USA and China, coupled with foreign portfolio investment (FPI) outflow and hardening interest rates, which have impacted equity issuance. The drop in the funds raised through this route can also be attributed to 2017 witnessing four large issues in the banking sector raising over $1 bn each and together totalling $5.9 bn, which itself is 21% more than the total funds raised in 2018.



Sector trend



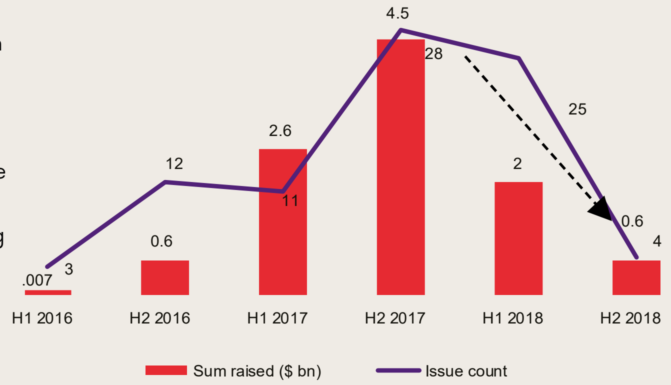


QIP snapshot

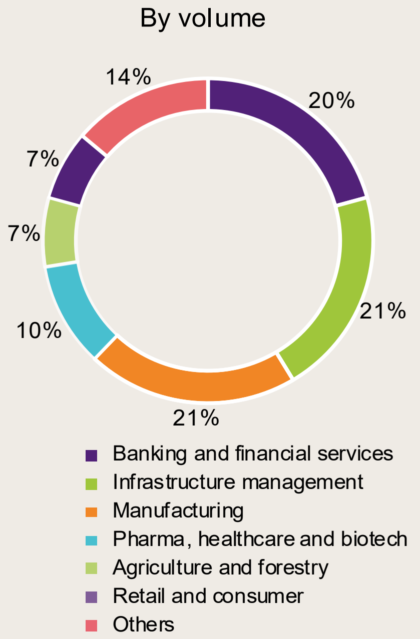
29 companies raised $2.6 bn – a 63% drop over the amount raised in 2017; the number of companies raising funds through qualified institutional placements (QIPs) also dropped by 26%.

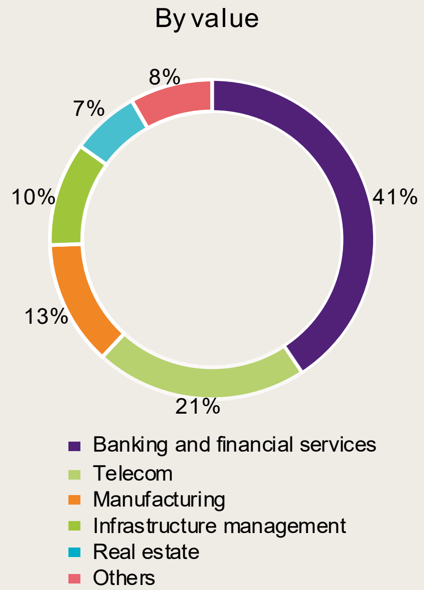
Fundraising through QIPs lost its charm in 2018. During the year, funds worth $2.6 bn were raised, which is significantly lower than the $7.1 bn raised in 2017. This drop can be attributed to the fact that for most of 2018, Indian equities were volatile with a bearish bias, hit by local and global factors. Besides, subdued corporate sentiment weighed on investors' risk appetite for QIPs. Further, the participation of foreign investors has not been quite encouraging in the secondary market this year. And that seems to be reflecting in the primary market, too.

The road ahead for secondary markets is likely to be turbulent considering concerns around political uncertainty at home and a potential global economic slowdown. These raise doubts on whether QIPs can make a comeback in 2019. However, lack of corporate lending appetite by PSU banks combined with attractive yields in the corporate bond markets over bank rates appears to motivate corporates to shift towards market-based borrowing through non-convertible debentures (NCD) issuances for raising funds.

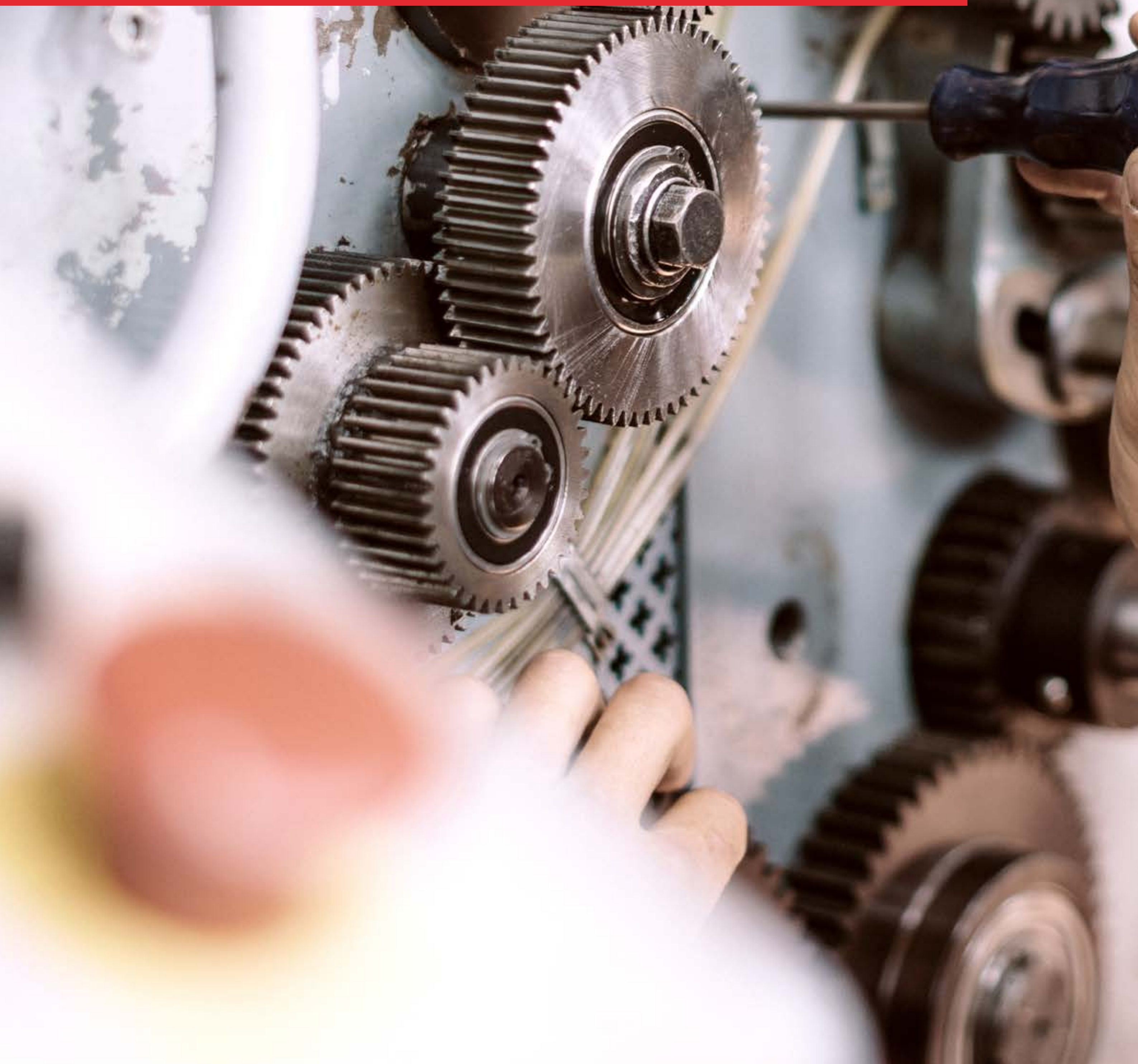


Sector trend





Year-on-year performance

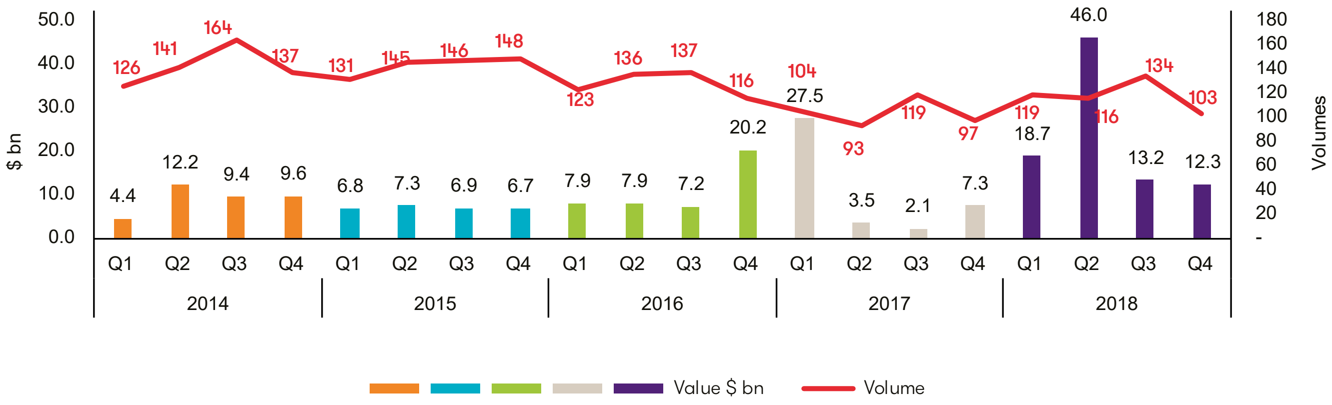


- M&A five-year trend
- PE five-year trend

M&A trends

Deal summary	**568** deals **$35.7** bn	**570** deals **$27.7** bn	**512** deals **$43.2** bn	**413** deals **$40.4** bn	**472** deals **$90.2** bn
Top deals	Sun Pharmaceutical Industries - Ranbaxy Laboratories Ltd ($3.2 bn)	Vedanta Ltd - Cairn India Ltd ($2.3 bn)	Rosneft PJSC, Trafigura and United Capital Partners - Essar Oil ($12.9 bn)	Idea - Vodafone ($23 bn)	Walmart - Flipkart ($16 bn)
Top sector by value	Pharma, healthcare and biotech (26%)	Energy and natural resources (16%)	Energy and natural resources (42%)	Telecom (62%)	Telecom (21%)
Top sector by volume	IT and ITeS (13%)	Start-up (24%)	Start-up (28%)	Start-up (22%)	Start-up (24%)

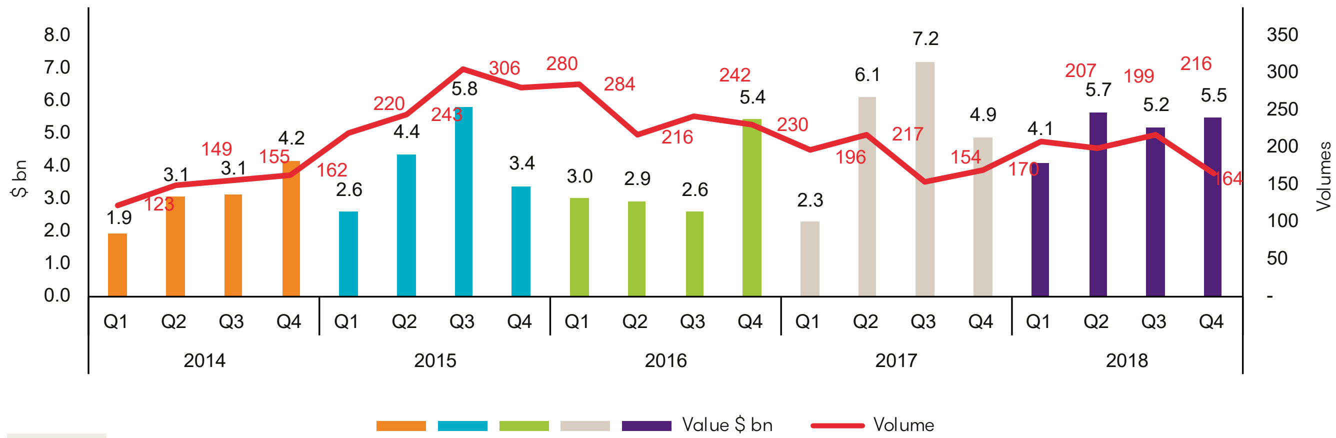
Quarterly M&A deal trend



PE trends

Deal summary	589 deals $12.3 bn	1,049 deals $16.2 bn	972 deals $13.9 bn	737 deals $20.5 bn	786 deals $20.5 bn
Top deals	Morgan Stanley, GIC, Accel Partners, DST Global, Iconiq Capital and Sofina - Flipkart ($1 bn)	Baillie Gifford, Greenoaks Capital, Steadview Capital, T Rowe Price Associates, Qatar Investment Authority, DST Global, GIC, Iconiq Capital, and Tiger Global - Flipkart ($0.7 bn)	Brookfield - Reliance Infratel Ltd ($1.6 bn)	SoftBank Vision Fund - Flipkart ($2.5 bn)	Abu Dhabi Investment Authority and TPG Capital Asia - UPL Ltd-UPL Corp ($1.2 bn)
Top sector by value	E-commerce (20%)	Start-up (31%)	Start-up (17%)	E-commerce (29%)	Start-up (26%)
Top sector by volume	Start-up (37%)	Start-up (65%)	Start-up (68%)	Start-up (61%)	Start-up (59%)

Quarterly PE deal trend



Mergers and acquisitions dealscape

- Sector focus
- Deal round-up – domestic, mergers and internal restructuring
- Indian map on domestic deals – State-wise
- Inbound deal trend
- Outbound deal trend
- Geographic track on cross-border deals
- Corridors
- Top 10 deals – 2018
- Notable deals – 2018
- Expert speak

M&A sector focus

The telecom sector led the pack with 21% of total M&A deal values driven by the liberal and reformist policies of the Government of India, which have been instrumental in the rapid growth in this sector, along with strong consumer demand. Prominent sectors like e-commerce, manufacturing, energy, IT, agriculture, banking and pharma also attracted significant deal values which cumulatively contributed to 73% of total M&A values. While the core sectors garnered significant values, the start-up sector dominated the deal volumes by 24%. Adoption of disruptive technologies across verticals spanning education, food, health, hospitality and transportation has been encouraging established players to absorb budding companies, driving deal activity in this space.

Telecom

1,917	25,016	19,260
7	9	6

Manufacturing

6,310	1,184	16,070
37	33	42

IT and ITeS

2,811	1,018	5,622
56	70	65

E-commerce

2,224	2,112	16,887
18	21	24

Energy and natural resources

18,012	1,860	12,115
27	12	18

Retail and consumer

305	651	5,306
28	25	25

Pharma, healthcare and biotech

4,701	2,232	2,503
54	35	36

Agriculture and forestry

447	313	4,339
6	6	12

Media and entertainment

980	408	1,605
28	21	29

Banking and financial services

1,129	3,166	2,717
33	25	32

Start-up

876	701	793
145	91	114

Hospitality and leisure

379	261	576
12	8	10

Real estate

422	424	541
5	7	6

Top sectors based on deal values

Values $mn	2016	2017	2018
Volume	2016	2017	2018

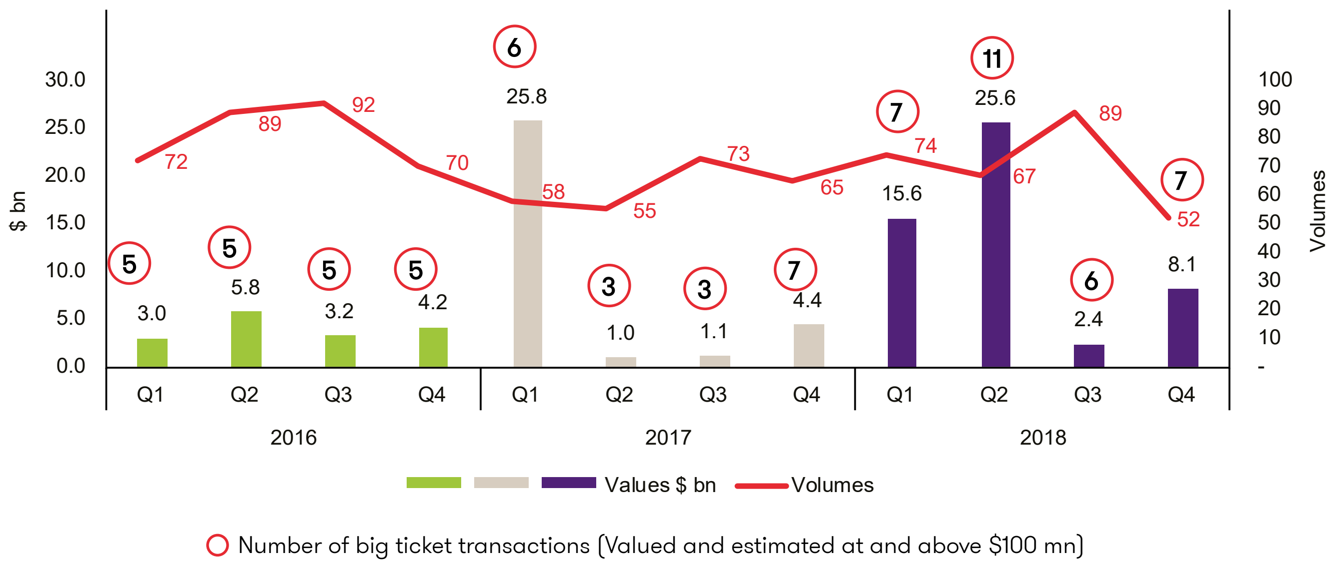
Domestic, merger and internal restructuring

Domestic M&A hit record levels with transaction values aggregating to $51.7 bn, which is 1.6x the value as compared to 2017, and surpassed the annual all-time high of 2017 ($32.3 bn). This surge in deal values was driven by big ticket consolidation valued at $1 bn across core sectors in an effort to expand market share, buy technology and diversify market presence. Domestic consolidation was also largely fueled by corporates undergoing financial stress.

Deal summary

323 deals	**251** deals	**283** deals
$16.2 bn	**$32.3** bn	**$51.7** bn

Quarterly domestic, merger and internal restructuring deal trend



Top sector by value / volume

value	Manufacturing (36%)	Telecom (74%)	Telecom (36%)
volume	Start-up (40%)	Start-up (31%)	Start-up (34%)

Sector movement compared to 2017

Values	
Aerospace and defence	403
Agriculture and forestry	129
Automotive	46
Education	252
Energy and natural resources	11,536
Hospitality and leisure	107
IT and ITeS	931
Manufacturing	9,949
Media and entertainment	913
Real estate	433
Retail and consumer	5,246
Transport and logistics	417

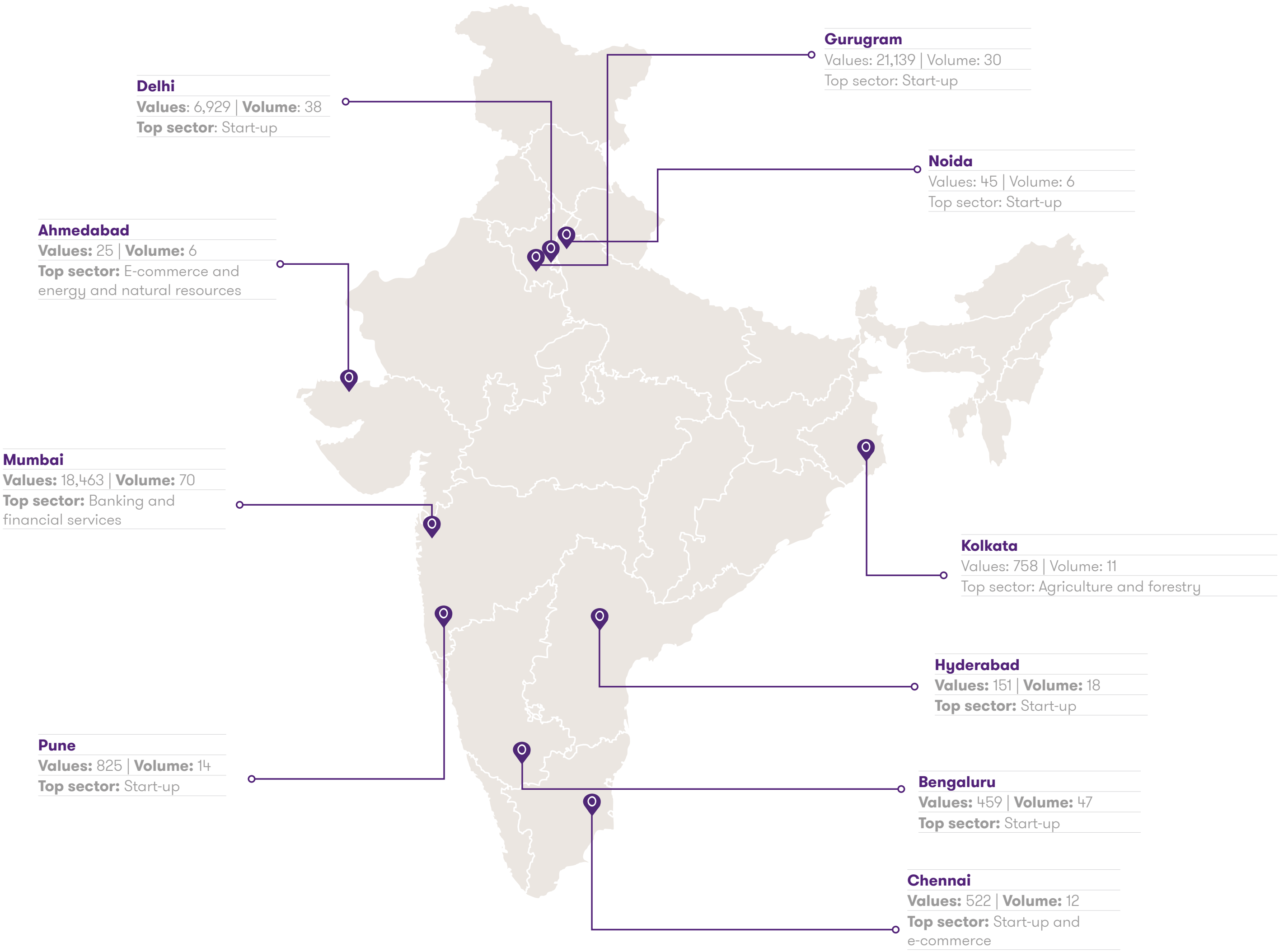
Volumes	
Aerospace and defence	3
Agriculture and forestry	9
Automotive	4
Banking and financial services	23
Education	10
Energy and natural resources	10
Hospitality and leisure	6
Manufacturing	20
Media and entertainment	16
Pharma, healthcare and biotech	15
Retail and consumer	17
Start-up	95
Transport and logistics	4

Values	
Banking and financial services	1,956
E-commerce	83
Infrastructure management	86
Pharma, healthcare and biotech	128
Professional/business services	57
Start-up	572
Telecom	18,444

Volumes	
Infrastructure management	3
IT and ITeS	16
Professional/business services	12
Real estate	4
Telecom	3

Domestic deal activity - Region in focus

NCR and Mumbai regions attracted the most deal activity both in terms of transaction volumes and values, together capturing 51% of deal volumes and 90% deal values. Of the top 10 cities recording active deal activity, the start-up sector dominated across 6 cities in terms of deal volumes.



Values in $mn

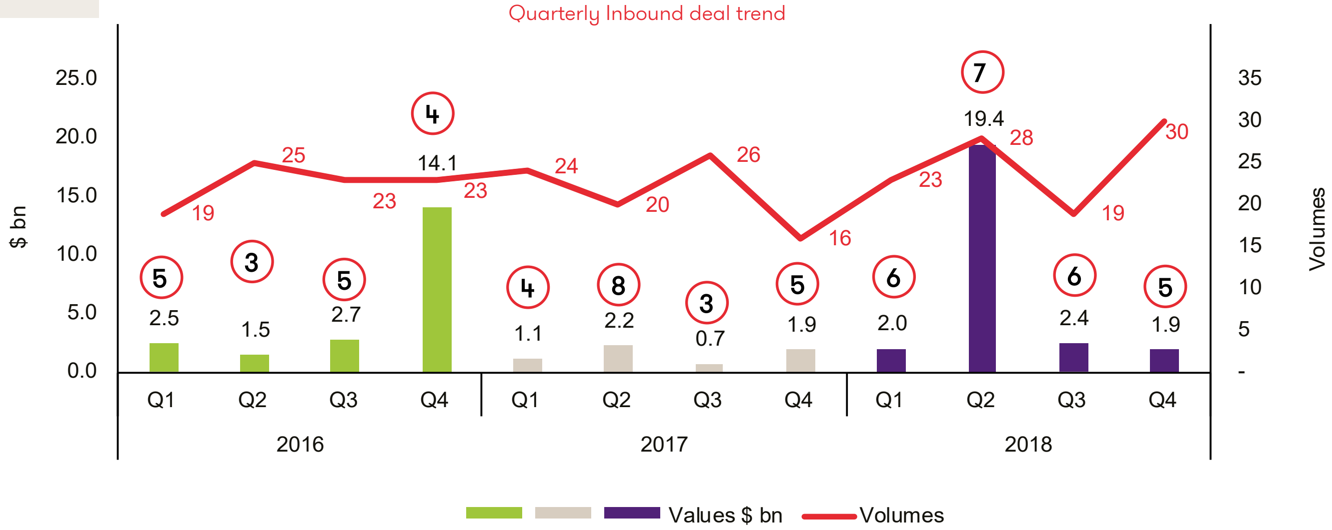
Inbound deal trend

Inbound deal values bounced back beyond the 2016 levels and at $25.7 bn were 4.3x the 2017 values. This is also the highest value since 2011. The number of inbound deals grew 16% over 2017, recording 100 deals. Walmart's record-breaking acquisition of a $16 bn stake in Flipkart bolstered the figure for India this year. The deal pushed the e-commerce sector up, to constitute 65% of India's inbound M&A activity for a total of $16.7 bn, a significant increase compared to the last year ($1.7 bn).

Deal summary

90 deals	**86** deals	**100** deals
$20.8 bn	**$6** bn	**$25.7** bn

Quarterly Inbound deal trend



Number of big ticket transactions (Valued and estimated at and above $100 mn)

Top sector by value / volume

Energy and natural resources (65%)	E-commerce (29%)	E-commerce (65%)
Start-up (18%)	IT and ITeS (17%)	IT and ITeS (20%)

Sector movement compared to 2017

Values		Volumes	
Banking and financial services	761	Banking and financial services	9
E-commerce	16,728	Education	3
Education	14	Energy and natural resources	6
Hospitality and leisure	469	Hospitality and leisure	4
Infrastructure management	341	Infrastructure management	5
IT and ITeS	2,090	IT and ITeS	20
Manufacturing	2,723	Media and entertainment	5
Pharma, health-care and biotech	1,062	Professional/business services	1
Professional/business services	5	Start-up	18
Start-up	215		

Values		Volumes	
Energy and natural resources	428	Pharma, health-care and biotech	5
Media and entertainment	25	Retail and consumer	3
Real estate	54		
Retail and consumer	15		
Telecom	811		

Neutral sectors

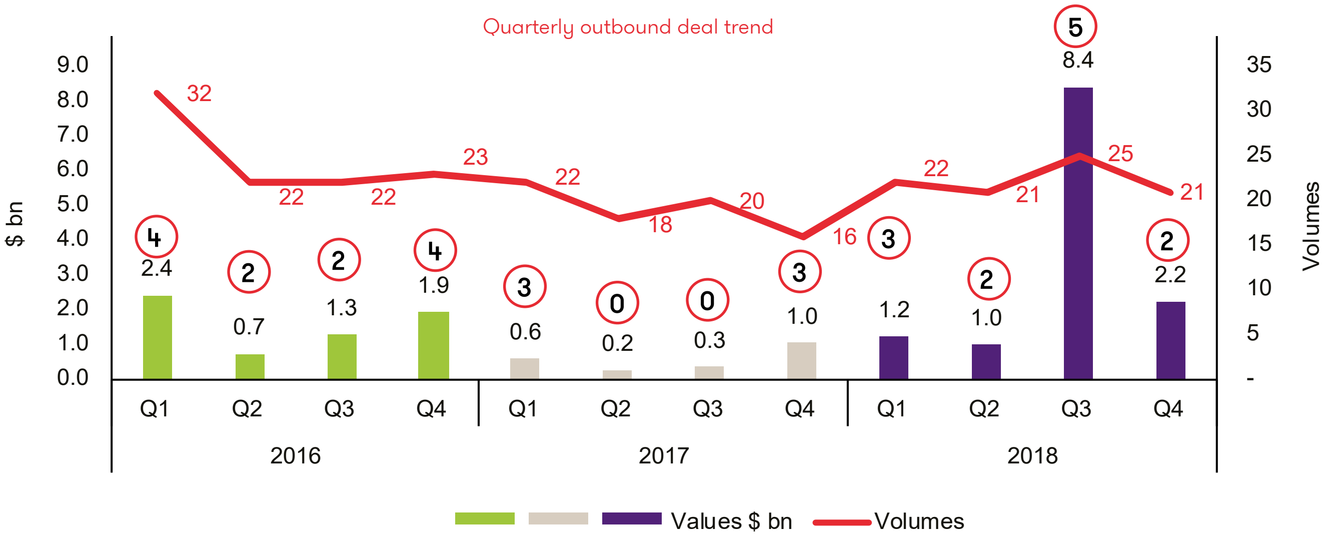
Values		Volumes	
N.A.		E-commerce	8
		Manufacturing	10
		Real estate	1
		Telecom	2

Outbound deal trend

Outbound deal values recorded an all-time high of $12.8 bn, a 5.9× increase compared to 2017. Volumes also recorded a strong 17% increase y-o-y. India's outbound acquisitions focused on the agriculture and forestry sector as deal values reached $4.2 mn and captured 33% of India's foreign acquisitions, driven by UPL Ltd's acquisition of Arysta Lifescience Inc. This was followed by the manufacturing and IT sectors together capturing 47% of deal values.

Deal summary

99 Deals	**76** Deals	**89** Deals
$6.3 bn	**$2.2** bn	**$12.8** bn



Number of big ticket transactions (Valued and estimated at and above $100 mn)

Top sector by value / volume

value	Energy and natural resources (35%)	Pharma, healthcare and biotech (64%)	Agriculture and forestry (33%)
volume	Pharma, healthcare and biotech (25%)	IT and ITeS (33%)	IT and ITeS (33%)

Sector movement compared to 2017

Values

Agriculture and forestry	4,210
E-commerce	76
Education	8
Energy and natural resources	151
IT and ITeS	2,602
Manufacturing	3,398
Media and entertainment	667
Professional/business services	34
Real estate	54
Retail and consumer	46
Start-up	5

Volumes

Agriculture and forestry	3
E-commerce	3
Education	1
IT and ITeS	29
Manufacturing	12
Media and Entertainment	8
Real estate	1
Start-up	1

Values

Automotive	220
Pharma, health-care and biotech	1,313

Volumes

Pharma, health-care and biotech	16

Neutral sectors

Values

Telecom	5

Volumes

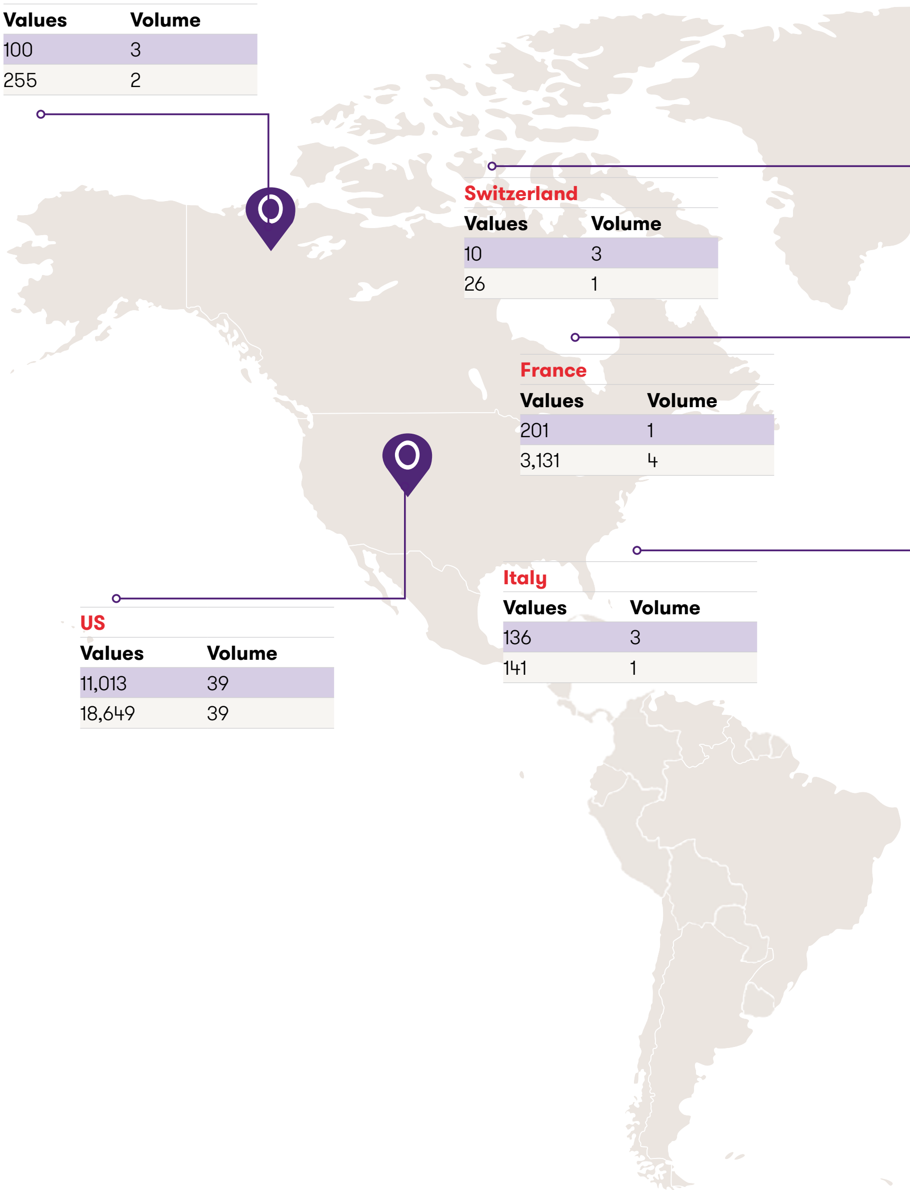
Automotive	4
Energy and natural resources	2
Professional/business services	4
Retail and consumer	5
Telecom	1

Cross-border deals: Geographic track

Total cross-border M&A reached $38.5 bn, 4.7× the deal values and an 17% increase in deal volumes compared to 2017. USA is currently the top acquirer of Indian companies and the top targeted nation by Indian companies.

Acquisitions by US-based companies in India totalled $18.6 bn from 39 transactions, which is 7.57 times in values and 39% higher in volumes compared to 2017, and constituted 72% of India's inbound M&A deal values. France and Singapore contributed to 12% and 5% respectively to overall inbound deal values.

Outbound transactions from India were spread over 25 geographies/countries, of which 39 transactions aggregating to $11 bn were executed in USA. 86% of the overall outbound deal volumes were US-bound followed by 7 transactions in Germany and 4 transactions each in Singapore, UK and Australia.



UK

Values	Volume
181	4
10	1

Belgium

Values	Volume
17	1
210	2

Canada

Values	Volume
100	3
255	2

Switzerland

Values	Volume
10	3
26	1

France

Values	Volume
201	1
3,131	4

Italy

Values	Volume
136	3
141	1

US

Values	Volume
11,013	39
18,649	39

Netherlands

Values	Volume
14	2
5	1

Germany

Values	Volume
158	7
89	5

Sweden

Values	Volume
5	1
5	1

Finland

Values	Volume
76	1
5	1

China

Values	Volume
359	8

Japan

Values	Volume
159	2
221	6

Israel

Values	Volume
13	3

UAE

Values	Volume
621	5
20	4

Malaysia

Values	Volume
851	2

South Africa

Values	Volume
38	2

Singapore

Values	Volume
77	4
1,270	13

Australia

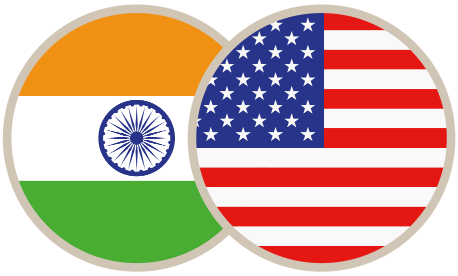
Values	Volume
51	4

Values in $mn

Outbound

Inbound

Corridors



India-US

	2015	2016	2017	2018
Inbound	Deals 39 **$6.2 bn**	Deals 26 **$1.2 bn**	Deals 28 **$2.5 bn**	Deals 39 **$18.6 bn**
Outbound	Deals 41 **$2.4 bn**	Deals 34 **$1.8 bn**	Deals 28 **$0.6 bn**	Deals 39 **$11 bn**

Top sector attraction by volume - 2018

Inbound

IT and ITeS	Start-up	Banking and financial services	E-commerce	Hospitality and leisure
31%	**18%**	**10%**	**8%**	**8%**

Outbound

IT and ITeS	Pharma, healthcare and biotech	Media and entertainment	Manufacturing	Professional/business services
41%	**15%**	**13%**	**8%**	**8%**

Top deals

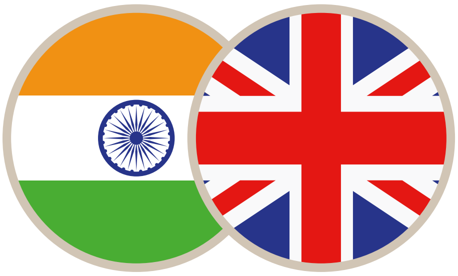
		Acquirer	Target	Cross-border
E-commerce	**$16 bn**	Walmart Inc	Flipkart	**Inbound**
Agriculture and forestry	**$4.2 bn**	UPL Ltd	Arysta Lifescience	**Outbound**
Manufacturing	**$2.6 bn**	Hindalco Industries - Novelis	Aleris Corp	**Outbound**
IT and ITeS	**$1.8 bn**	HCL Technologies	IBM-8 Software Products	**Outbound**
Pharma, healthcare and biotech	**$0.9 bn**	Aurobindo Pharma	Sandoz Inc	**Outbound**

The year 2018 witnessed heightened deal activity in the India-US business corridor with the overall deal size of approximately $19 bn on the India inbound side and $11 bn on outbound side. The deal activity went up significantly, both in volume and value terms, marked by Walmart's acquisition of a controlling interest in Flipkart — one of the biggest acquisitions by a US company of an Indian business. The diversity in deal activity also signifies that the US interest in India is transcending from the IT space into other sectors.

India's ties with USA, both economic and geo-political, are stronger than ever and with both countries committed to multiplying trade and investment, this trend is likely to continue in 2019 and beyond.

Arun Chhabra
Chartered Accountant,
New Delhi

India-UK



	2015	2016	2017	2018
Inbound	Deals 5 **$0.08 bn**	Deals 4 **$0.2 bn**	Deals 7 **$0.5 bn**	Deals 2 **$0.01 bn**
Outbound	Deals 14 **$0.2 bn**	Deals 13 **$1.3 bn**	Deals 5 **$0.03 bn**	Deals 4 **$.2 bn**

Top sector attraction by volume - 2018

Inbound

- Pharma, healthcare and biotech **50%**
- Start-up **50%**

Outbound

- Energy and natural resources **50%**
- Media and entertainment **25%**
- E-commerce **25%**

Top deals

	Acquirer	Target	Cross-border
Energy and natural resources **$76 mn**	Energy Efficiency Services Ltd	Edina Power Services	**Outbound**
Energy and natural resources **$75 mn**	Aban Offshore Ltd	UK Continental Shelf Production License	**Outbound**
E-commerce **$20.59 mn**	Future Lifestyle Fashions Ltd	Koovs Plc	**Outbound**
Start-up **N.A.**	Page Solutions	Aetlo Tech	**Inbound**
Media and entertainment **N.A.**	Tata Consultancy Services Ltd	W12 Studios	**Outbound**

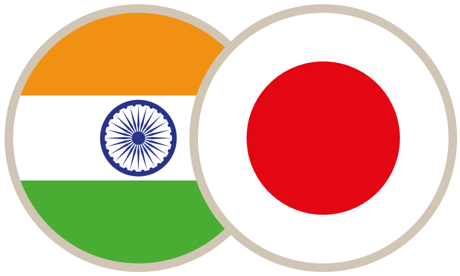
The Indo-UK corridor witnessed notable activity during 2018, including both strategic deals as well as cross-border investments.

IBC acted as a major deal catalyst, resulting in 12 major resolution processes in 2018, which attracted UK companies such as Liberty House. Other notable transactions included the acquisition of Healthium by Apax Partners, a major buyout fund headquartered out of UK, and the divestment of GSK's consumer healthcare portfolio, including Horlicks and Complan, to HUL.

While the EU referendum vote has shaken investor confidence and will continue to infuse uncertainty in the market, the corporate mid-market M&A space continues to remain robust, and deal makers are considering incremental M&A opportunities post-Brexit.

Santhosh C
Director
Grant Thornton India LLP

India-Japan



	2015	2016	2017	2018
Inbound	Deals 14 **$0.9 bn**	Deals 8 **$1.5 bn**	Deals 10 **$0.5 bn**	Deals 6 **$0.2 bn**
Outbound	Deals 2 **$0.03 bn**	Deals 2 **$0.4 bn**	Deals 0	Deals 2 **$0.2 bn**

Top sector attraction by volume - 2018

Inbound

IT and ITeS	Manufacturing	Media and Entertainment	Banking and financial services
33%	**33%**	**17%**	**17%**

Outbound

Manufacturing	Pharma, healthcare and biotech
50%	**50%**

Top deals

	Acquirer	Target	Cross-border
Manufacturing **$174 mn**	Sumitomo Corporation	Mukand Sumi Special Steel Ltd	**Inbound**
Manufacturing **$158 mn**	Cairn India Holdings Ltd	AvanStrate Inc	**Outbound**
Manufacturing **$23 mn**	Sanyo Special Steel Co Ltd	Mahindra Sanyo Special Steel Pvt Ltd	**Inbound**
IT and ITeS **$9 mn**	NTT Data Corp	Atom Technologies Ltd	**Inbound**
Pharma, healthcare and biotech **$1 mn**	Sun Pharmaceutical Industries Ltd	Pola Pharma Inc	**Outbound**

Over decades, the India-Japan relationship has transformed into a partnership with great substance and purpose well supported by the leadership teams of these two nations. This is further underscored by the basic strategic importance that the two economies and businesses have shown towards each other in the past many decades.

In terms of investment, Japan has been India's third largest source of FDI, providing $28.16 bn from April 2000 to June 2018 in diverse sectors. In the recent times, political events on both the sides have been extraordinary for the M&A market as India significantly gained foreign investments from Japan in 2017 and 2018.

In 2018, led by electronics and industrial goods as the top target industries, the India-Japan M&A activity led to deals worth $380 mn in 2018. In terms of investments from Japan, there were a number of strategic alliances in the form of JVs, technical collaboration, etc, particularly in the manufacturing sector.

Sumitomo's investment in Mukand Sumi Special Steel Ltd and Sanyo Special Steel's minority investment in Mahindra Sanyo Special Steel Pvt Ltd not only top the list but also represent the fact that large Japanese companies are showing interest in a wide variety of sectors. We expect this deal scenario to continue and further propel the Japanese manufacturing giants and their suppliers to enter the Indian market with a strong hope of success.

This is further bolstered by the fact that Softbank has already made a lot of high-value investments in India. These investments are only going to increase as India is currently a hotbed for start-ups and an improvement in India's GII (Gender Inequality Index) rankings will certainly help its cause.

In drawing the outlook for 2019 and beyond, it is pertinent to note that the future deal flow will largely be driven by the stagnant state of the economy in Japan and businesses that are motivated by their environment and their experience in auction processes to buy overseas assets. On the other side, for the Indian companies that are looking out for international buyers and also partnership in technology, Japanese corporations can be attractive buyers.

In that light, the sector that is likely to see deal activity and investments would be consumer (especially food and textiles), which is directly affected by the shrinking population and continues to look at increasing market share overseas. In that lookout for growth, India has emerged as the most promising country according to the 2017 report released by Japan Bank of International Cooperation (JBIC) on overseas business operations by Japanese manufacturing companies.

Siddhartha Nigam
Partner
Grant Thornton Advisory
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Top 10 M&A deals 2018

2018 recorded 16 multi-billion dollar deals and 51 deals valued and estimated at and over $100 mn each together contributing 95% of total M&A deal values. Breaking the record of 2011, which recorded 10 deals in the billion dollar category, this year recorded the highest deals in this segment.

Acquirer	Target	Sector	$bn	Deal type	% stake
Walmart Inc	Flipkart Online Services Pvt Ltd	E-commerce	16	Majority stake	77%
Bharti Infratel Ltd	Indus Towers Ltd	Telecom	14.6	Merger	N.A.
Oil and Natural Gas Corporation Ltd	Hindustan Petroleum Corporation Ltd	Energy and natural resources	5.8	Controlling stake	51%
Tata Steel Ltd	Bhushan Steel Limited	Manufacturing	5.5	Controlling stake	73%
Hindustan Unilever Ltd	GlaxoSmithKline Consumer Healthcare Limited	Retail and consumer	4.5	Acquisition	100%
UPL Ltd - UPL Corp	Arysta Lifescience Inc	Agriculture and forestry	4.2	Acquisition	100%
Reliance Jio Infocomm Ltd	Reliance Communications Ltd	Telecom	3.8	Acquisition	N.A.
Adani Transmission Ltd	Reliance Infrastructure Ltd - Mumbai power business	Energy and natural resources	2.9	Acquisition	100%
Hindalco Industries Ltd - Novelis Inc	Aleris Corporation	Manufacturing	2.6	Acquisition	100%
Schneider Electric SA	Larsen & Toubro Ltd - Electrical and automation business	Manufacturing	2.1	Acquisition	100%

Largest inbound deal in India. This deal alone contributed to 18% of total M&A deal values.

This merger resulted in creating the largest tower company in the world outside China.

This marks the biggest asset sale till date under the new bankruptcy law.

This is the country's biggest consumer goods deal. The second-biggest deal by value in the consumer goods space is that of Diageo picking up majority stake in United Spirits.

This is the largest outbound deal in the agriculture sector and otherwise till date.

Notable deals of 2018

Walmart Inc buys 77% stake in Flipkart for $16 bn

E-commerce

Rationale: The deal will see Walmart Inc acquiring a 77% stake in Flipkart for a consideration of $16 bn, valuing India's largest start-up at $20.8 bn. This deal also marks the biggest acquisition in the e-commerce space and Walmart's biggest overseas deal.

Commenting on the transaction, Doug McMillon, Walmart's president and COO, said, "India is one of the most attractive retail markets in the world, given its size and growth rate, and our investment is an opportunity to partner with the company that is leading the transformation of e-commerce in the market."

While Walmart and Flipkart will leverage their combined strengths, they will maintain distinct brands and operating structures.

It involves Walmart ploughing $2 bn into the company as primary capital. The rest of the stake for Walmart will come from buying out existing investors such as Softbank, Tencent Holdings, Tiger Global, Naspers and Microsoft, who exited with handsome returns.

Bharti Infratel and Indus Towers merge to create a $14.6 bn tower giant

Telecom

Rationale: The deal will see Vodafone's, Idea Group's and Providence Equity Partners' respective shareholdings in Indus Towers merge into Bharti Infratel, creating a combined company that will own 100% of Indus Towers.

The combination of Bharti Infratel and Indus Towers by way of merger will create a pan-India tower company worth $14.6 bn, with over 1.63 lakh towers operating across all 22 telecom service areas in India. It will be the largest tower company in the world outside China. The deal is expected to close before 31 March 2019.

The merger will help Bharti Airtel Ltd, Vodafone India Ltd and Idea Cellular Ltd, which came together in 2007 to form Indus Towers, easily pare their stakes in the combined entity to raise funds to invest in their struggling telecom operations and cut debt.

On completion, Airtel, which currently owns a 53.5% stake in Bharti Infratel, will hold between 33.8% and 37.2% in the merged entity, while Vodafone India will own between 26.7% and 29.4% and Airtel and Vodafone India will have equal rights in the merged entity.

Expert speak

2018 has been a record year for M&A deal values, galloping from $40 bn in 2017 to $90 bn across 472 deals in 2018. Strong headwinds of a falling rupee, surging oil prices and turbulence in financial services leading to a credit squeeze in H2 2018 have clearly not been able to dampen the sentiment for deal activity through the year.

Given that insolvency-driven resolutions have not contributed as substantially as they were expected to at the start of the year due to delays in closure, deal values of 2018 reflect a buoyancy and depth not seen before in the Indian deal market.

This year has also been a year of mega deals on the deal street with 16 deals completed in the billion dollar plus category against 3 in 2017, and that too with a very secular coverage across sectoral themes — apart from the usual contributors of telecom and energy and natural resources, 2018 saw manufacturing, agri, CleanTech, financial services and IT/ITeS all contributing to this billion dollar club and pushing total deal values in this category to a formidable $70 bn.

In terms of overall sectoral activity, while telecom and e-commerce were the highest grossers in deal value with telecom aggregating $19.3 bn across six deals and e-commerce $16.9 bn from 24 deals, manufacturing was the clear outperformer of the year with deal values surging from $1.2 bn in 2017 to $16 bn in 2018 across 42 deals where the average deal size jumped 10× to $383 mn. The space saw several marquee deals marking bullish activity in this space – Tata's acquisition of Bhushan Steel and Usha Martin's steel rope business aggregating $6.1 bn and Schneider's $2.1 bn acquisition of the electrical and automation business of L&T.

Walmart's $16 bn acquisition of Flipkart, which saw exits of existing investors, was the landmark deal in e-commerce, pointing to a growing maturity of investments in this space.

Telecom continued to consolidate in line with past trends with Bharti Airtel's merger with Indus Towers and Reliance Jio's acquisition of infrastructure assets of Reliance Communication being the top deals.

IT/ITeS continued to sustain volumes with 65 deals aggregating $5.6 bn with average deal sizes of $86 mn — much higher than the previous two years. There were seven deals above $200 mn with HCL's $1.8 bn acquisition of IBM (8 software products) being the biggest deal in this space.

Pharma and healthcare saw flattish activity with signs of consolidation in healthcare delivery, contributing $2.5 bn across 36 deals in 2018 – Aurobindo Pharma's $900 mn acquisition of Sandoz Inc's dermatology business being the highest grosser in this space.

Financial services deal activity was subdued in H2 2018 on the back of credit quality issues for both the banking and non-banking segments and concerns on the financial health of large capital providers.

Building on the momentum of previous years, CleanTech continued to witness increasing investment appetite and large buyouts – Renew Power's $1.6 bn acquisition of Ostro Energy being the landmark deal in this space.

Media and Entertainment also witnessed consolidation trends and increasing deal values, which surged to $1.6 bn from $408 mn last year. Reliance completed three large acquisitions – Hathaway Cable, Saavn and Den Networks – accelerating the consolidation activity, which is likely to gain further momentum in the coming year as businesses look to realign the business models in the wake of changing consumption patterns in this space.

Consolidation trends in select themes and the pipeline of current deal activity are likely to keep deal values high, complemented by insolvency closures, which are now likely to trickle in 2019. Volumes could see a temporary slowdown given cautiousness around an election year.

Sumeet Abrol
Partner
Grant Thornton Advisory Private Limited

Economic outlook

- Economic indicators
- Regulatory reforms
- Impact of GST reforms
- IBC
- RERA
- Companies Act
- Ind AS

Economic indicators

India remained ahead of China to retain the tag of the world's fastest growing large economy, withstanding several ups and downs, spike in oil prices and global trade war like situation during 2018.

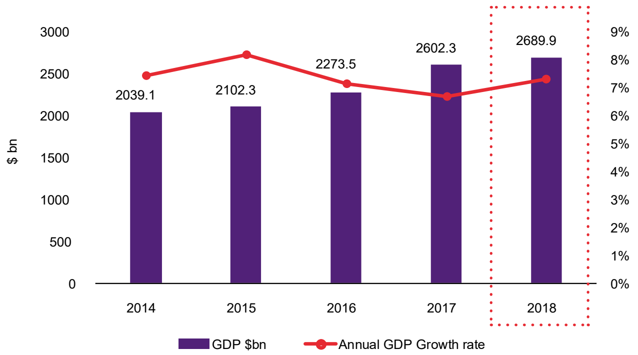
Steady and resilient growth performance by multiple Asian economies has led to the centre of gravity of global geopolitics shifting towards Asia. Amid the changing power balance between nations, India has emerged as a bright spot and potential global leader. With an average growth rate of 7.2%, a favourable demographic profile and a large and growing consumer market, India is likely to be the most compelling growth story of the decade.

India's ranking in the World Bank's 'ease of doing business' report improved for the second straight year, jumping 23 places to the 77th position on the back of encouraging reforms related to insolvency, taxation and other areas.

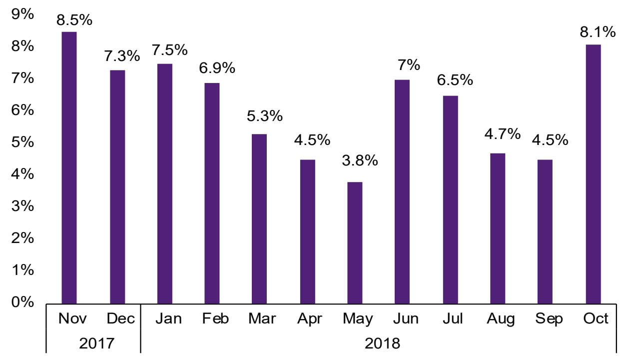
The Indian economy advanced 7.1% y-o-y in the third quarter of 2018, well below 8.2% in the previous period and market expectations of 7.4%. It is the lowest growth rate in three quarters, mainly due to a slowdown in consumer spending amid high oil prices and a weaker rupee. Also, inventories, financial services, manufacturing and the farm sector grew at a slower pace.

The slowdown was due to a weaker rise in private consumption and substantially faster growth in the imports of goods and services. Private consumption appeared to be weighed on by cautious spending among rural households amid a weak crop harvest and low agricultural commodity prices. Imports, meanwhile, were likely stoked by higher oil prices. On a brighter note, there were stronger expansions in public consumption, fixed investment and exports in the third quarter. Turning to the fourth quarter, the outlook appears mixed: Although the private-sector PMI hit an over two-year high in November, consumer confidence slipped in the same month.

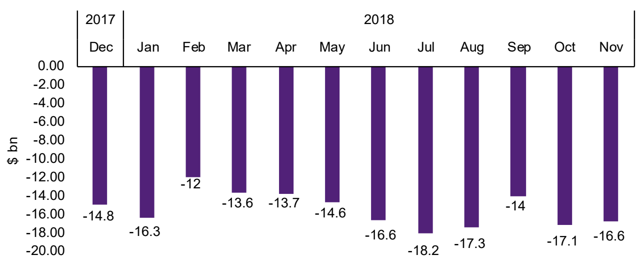
Overall economic growth is expected to accelerate this fiscal year due to the faster private consumption and investment growth. However, fiscal slippage in the run-up to the general elections next year, global trade protectionism and oil price volatility all cloud the outlook.



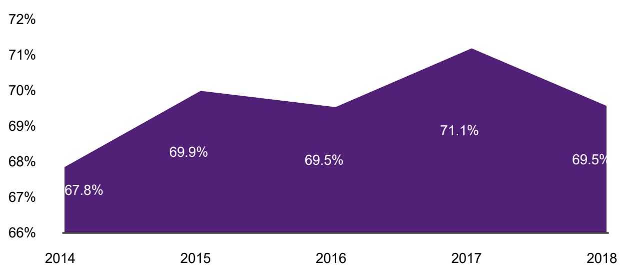
Industrial production output



Balance of trade



National-debt-to-GDP ratio



Consumer price inflation remained within the target band, partly reflecting one-off factors, such as a good monsoon, lower excise taxes on oil products and the government's request to public-sector oil marketing companies to lower their margins. However, pressures on inflation are rising from the rupee depreciation and recent increases in wages and housing allowances for public employees.

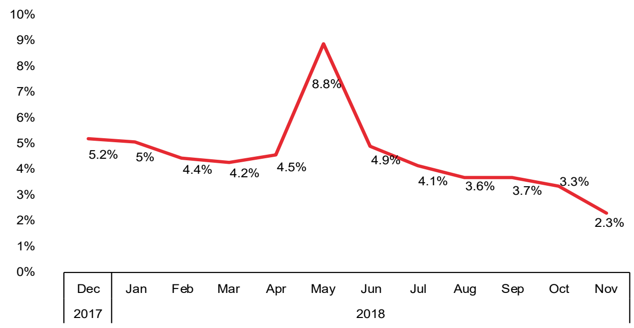
Core inflation and inflation expectations are edging up. At the same time, the government's inflation targeting mechanism has ensured that inflation has hovered around the target rate of 4%. Despite pressure on emerging market economies, India was able to improve its macroeconomic stability score from 88.7 to 89.8.

The current account deficit is increasing, driven by India's growth differential with other economies and higher oil prices. Financing the deficit is becoming more challenging as FDI inflows are sluggish and portfolio capital is being pulled out by higher yields in advanced economies. The government has hiked import duties to limit the current account deficit and lessened constraints on firms' external borrowing. Ratios of public deficit and debt to GDP remain high.

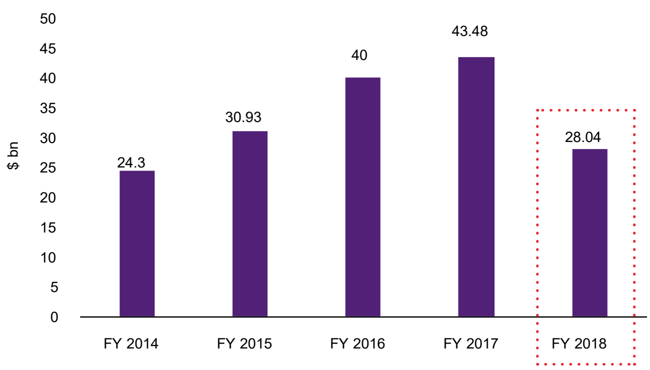
Encouraging FDI

- The Government of India is planning to consider 100% FDI in insurance intermediaries in India to give a boost to the sector and attract more funds.
- The Government of India allowed foreign airlines to invest in Air India up to 49% with government approval.
- No government approval will be required for FDI up to 100% in real estate broking services.
- The Ministry of Commerce and Industry, Government of India, has eased the approval mechanism for FDI proposals by doing away with the approval of Department of Revenue and mandating clearance of all proposals requiring approval within 10 weeks of the receipt of application.

Inflation rate



FDI in India



Sources: Trading economics, statisca, IBEF, OECD

Regulatory reforms

Cross-border mergers – Foreign Exchange Management Act (FEMA)/FDI
With the improvement in ease of doing business ranking along with the Reserve Bank of India's notification of Cross Border Merger (CBM) Regulations on 20 March 2018, India will continue to be a favoured destination for FDI according to a UN trade report. The RBI regulations on cross-border mergers recognise two categories including inbound mergers, where the resultant company is an Indian company, and outbound mergers, where the resultant company is a foreign company.

Cross-border mergers – Companies Act
Section 234 of the Companies Act, 2013 provides for the scheme of mergers and amalgamations between companies registered under the said act and foreign companies. However, in case of outbound mergers, only companies which come under the jurisdictions of such countries (which are notified by the central government) are eligible.

The foreign company is required to ensure that valuation is conducted by valuers who are members of a recognised professional body in the jurisdiction of such foreign company. The valuation is required to be conducted in accordance with the internationally accepted principles of accounting and valuation.

Tax-related concerns still act as a deterrent to foreign investors in the case of outbound mergers, and we expect clarity to emerge in the ensuing budget.

Recent reporting developments – Single Master Form (SMF) – reporting
In its first bi-monthly monetary policy review dated 5 April 2018, the RBI has integrated the prevailing reporting structures of various types of foreign investments in India and, for this purpose, introduced an SMF Now, all forms which were being filed separately by corporates have been integrated within the SMF. The SMF is filed online on the Foreign Investment Reporting and Management System (FIRMS) portal. The reporting entity should register on the portal and record the details of the entity in the Entity Master Form (EMF). Once the EMF is successfully created, the reporting entity can comply with its reporting requirements on an ongoing basis.

Competition Act
The central government has granted the following exemptions by which certain entities or deals are exempt from the provisions of sections 5 and 6 of the Competition Act (which regulate business combinations).

- Exemption for small or medium-sized deals based on asset value/turnover: Such mergers, amalgamations or acquisitions shall not be treated as combinations. Accordingly, such combinations can take effect immediately and notice in respect of the same need not be given to the Competition Commission of India (CCI)
- Amalgamation of two or more regional rural banks by issue of a notice under section 23A of the Regional Rural Banks Act, 1976
- All combinations under section 5 involving central public sector enterprises operating in oil and gas sector under the Petroleum Act.
- Every person or enterprise who is party to a combination as referred to in section 5 from giving notice to the CCI
- All of the above exemptions have been granted for five years beginning from 2017
- All cases of reconstitution, transfer of whole or any part thereof, and amalgamation of nationalised banks for a period of 10 years from 30 August 2017.

Outlook for 2019

Various developments in the tax and regulatory environment in India and, in particular, the cross-border merger provisions issued by the RBI have laid the ground rules for allowing such mergers. We are seeing increasing interest among corporates to consider such re-organisations to optimise their business activities (especially in cases relating to inbound mergers). This is also setting the stage for enhanced deal activities.

R Sridhar
Partner
Grant Thornton India LLP

Impact of GST reforms

Amid economic instability across the globe, India has become a beacon of hope with ambitious growth targets supported by various strategic initiatives like the Make in India and Digital India campaigns. GST was another such initiative that is expected to be the much-needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services.

The transition period, after GST was announced, had its own challenges, but it should also be taken into consideration that the transition was expected for a political economy of 1.3 bn people and needed the amalgamation of multiple rates comprising as many as 17 taxes and 23 cesses into one nationwide GST. While its implementation has been through testing waters, the government has put in its best efforts to address various issues, including political deadlocks, frequent amendments, clarifications, IT-related chaos, administrative framework, compliances and rate rationalisation. There were concerns about the industry's preparedness, considering the impact was far-reaching with changes in processes, business models, supply chain, IT infrastructure, pricing, working capital, etc. However, it eventually turned out that India Inc has handled this big change fairly well with a major change felt by the SMEs and smaller businesses.

This landmark change, after encouraging Indian businesses to become more transparent, compliant and join the formal economy, has created many opportunities for deal activities in India, which have since been on the rise. This was evident as the number of GST registrations crossed 10 mn as the formalisation of the economy kicked in. The tax base has widened, and there are more businesses signing up for GST.

On the other hand, one of the major concerns with the new tax system was the rise in inflation; however, the government has been able to control it thus far. It made all possible efforts to ensure that the levy was as close as possible to the existing rates, which meant the overall incidence of tax did not rise.

Another factor was anti-profiteering for which the National Anti-Profiteering Authority (NAA) is in full force to ensure that businesses do not abuse the transition and ultimate benefit is passed on to the public. Also, with the introduction of the e-way bill mechanism, the movement of goods across state borders has become seamless, eventually resulting in higher profits for businesses.

Further, the Authority for Advance Ruling (AAR) has been set up in every state to provide clarification on various technical and classification issues to facilitate businesses to avoid litigation. It is expected to be more centralised in the future to bring consistency in the economy.

The introduction of the annual return and GST audits is another major task for businesses to merge their financial results with their GST filings. There are many details - which were not mandatory in earlier filings - required in these forms, resulting in extensive back working. The online utility to file these returns has still not been introduced in the public domain. Other technical problems and challenges, if any, will be known only at the time of filing.

Following the tradition of extensions in due dates, the government has extended the due date of filing of GST annual return and annual audit by three months to 31 March 2019. Although the extension of the date was expected, the government, this time, has made a positive move by announcing it much earlier and giving a relief to the taxpayers from unnecessary chaos and hassle. This would also help in demonstrating that businesses are fully compliant with the GST laws during the first year of GST. This will also prove to be beneficial for growing businesses seeking investments in the form of private equity (PE), acquisitions, mergers, etc.

Authorities are also working on the new GST return formats, which are expected to be implemented from 1 April 2019. This will again require the taxpayers to get accustomed to new filing formats and make requisite changes in their system. The systems would ultimately get more robust with automation of processes taking priority in the coming years.

It can be said that GST implementation has been smooth for organised businesses barring technology glitches. The market did not witness any unforeseen shoot-up in prices nor has there been any shortage in the supply of goods and services. However, there is a lot to be done to fine-tune the new system, like procedural simplification, lowering the overall compliance cost and trimming the tax slabs.

Outlook for 2019

India's growth rate is expected to accelerate over the coming year and is likely to improve further to 7.4% as per the International Monetary Fund in 2019, as key sectors would revive from disruptions related to the implementation of GST and demonetisation.

Krishan Arora
Partner
Grant Thornton India LLP

RERA

Outlook for 2019

With RERA stabilising , the overall deal activity for the sector has been muted. Regulators of various states are gaining momentum, and the action is already pushing consolidation in the sector, with non-serious players moving out of the game gradually and long-term players getting more credibility. The changes arising after RERA are already transforming the processes and governance levels of the companies in the real estate sector, thus leading to a transparent environment, something that was severely lacking for the sector.

These developments are already creating a conducive environment for the investor community and are likely to expedite the deal flow for 2019.

Neeraj Sharma
Director
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IBC

IBC, a key reform measure in recent times aimed at the resolution of the corporate debtor, underwent a few significant changes during the year. The Code itself has been amended multiple times since its inception and the regulator Insolvency and Bankruptcy Board of India (IBBI) has also issued several amendments and clarifications indicating that the government has its ears to the ground and is willing to make quick corrections to ensure better outcomes in the process.

India's progress in making the Code stronger ensures that the country becomes a viable investment destination for foreign investors who can tap the opportunities presented during the process. The recent changes in regulations and practices based on legal jurisprudence are a reflection of the government's intent. For almost two years, both the tribunals and the Supreme Court have been working relentlessly to manage the constant stream of appeals, counter appeals and litigations. While the litigation may be tedious, it is laying some important ground rules for the future and will help the process in the long run.

Resolution of 12 large accounts was initiated by banks in 2017 as directed by the RBI. Of these, 4 were resolved during the year (Bhushan Steel, Electrosteel Steels, Monnet Ispat and Amtek Auto) with an average realisation of 41% of the admitted claims. The remaining 8 cases are at the final stages of the process with two companies, namely Jyoti Structures and Lanco Infratech, potentially heading for liquidation. The saga of the Essar Steel case continues to take its twists and turns despite a fairly conclusive order from the Supreme Court in the matter. We also recently saw another emerging situation where a successful resolution applicant for one of these 12 cases was unable to comply with the terms of its own resolution plan.

Paying heed to the best global practices in insolvency, the government is assessing the potential of a 'pre-packaged' bankruptcy scheme with an objective to speed up the resolution process. This will most likely open up several opportunities for investors interested in value buys of stressed companies. However, it will be interesting to see the interplay between this and the landmark circular of 12 February issued by the RBI which, among other matters, abolished all prior forms of restructuring outside of IBC.

Despite the challenges facing the Code in terms of longer timelines and higher number of liquidations compared to resolution (18%:4% up to 30 September), increased litigation and controversies surrounding the introduction of section 29A, the law has proved to be an impressive market-led proactive mechanism for recovery. The Code has led to the recovery of dues for creditors not just within IBC but outside as well. According to IBBI, operational creditors have recovered more than INR 1 lakh crore ($1.4 bn) even before their insolvency applications were admitted by the NCLT.

The resolution framework is one of the key factors contributing to a considerably improved 'ease of doing business' ranking with India climbing up to the 77th place in 2018 (jumping 53 places over the last two years).

List of notable upcoming IBC deals:

- Essar Steel - ArcelorMittal: INR 50,000 crore
- Bhushan Power and Steel - JSW Steel: INR 19,700 crore
- Alok Industries - Reliance Industries, JM Financial Asset Reconstruction: INR 5,050 crore
- Amtek Auto - Liberty House: INR 4,404 crore
- Dalmia Bharat Ltd - Murli Industries Ltd: INR 402 crore
- Blacktone - Golden Jubilee Hotels

Outlook for 2019

IBC presents a strong and real opportunity to pick up a strategic stake in companies whose cash accruals are impacted more by economic and sectoral reasons with the potential to augment their operations with requisite funding. The competitive process can run transparently and the results are known in a time-bound manner – a key ask for the vast community of investors. More so, the Code offers an attractive and conducive environment for the entrepreneurs and for the development of global investors' confidence in the Indian economy.

Ashish Chhawchharia
Partner
GT Restructuring Services LLP

Companies Act

The Companies Act 2013 (the Act) was introduced in 2014 and has undergone quite a few changes since it was first established through rules, orders, circulars and amendments.

The Companies (Amendment) Act, 2017 (the Amendment Act) was the second amendment of the Act, of which various sections were made effective in a phased manner over the year 2018, barring very few, which are yet to be notified. Based on the guiding principles, the Amendment Act addressed - among other aspects - the need for striking a balance between the interest of various stakeholders, simplifying processes and/or doing away with unnecessary procedures, and achieving greater transparency and disclosures in view of lesser regulatory interference and greater self-regulation.

The amendments also targeted creating a positive environment for start-ups by reducing the compliance burden in case of private placement procedures, simplifying procedures for converting an LLP into a company, allowing start-ups to raise deposits for the initial five years without any upper limits and issuing ESOPs to promoters working as employees. Further, the amendments have relaxed the requirements relating to foreign nationals who are proposed to be managing directors/whole-time directors, enhanced thresholds applicable for private companies to comply with provisions relating to having independent directors, audit committee, etc., and significant changes in relation to managerial remuneration provisions from regulated regime to self-governance.

In November 2018, the honourable President gave his assent to the promulgation of Companies Amendment (Ordinance), 2018, which was introduced with the twin objectives of promotion of ease of doing business and better corporate compliance. The amendments included rationalisation of fines and penalties, and shifting of 16 corporate offences from special courts to in-house adjudication. It now has a transparent technology-driven mechanism, de-clogging NCLT by increasing the Central Government's powers to approve routine matters and enhancing the regional director's pecuniary jurisdiction, relaxing compliance requirements relating to public deposits, commencement of business declarations, filing of charges, and holding of directorships beyond permissible limits.

Outlook for 2019

Overall, the government and regulatory authorities have continued on the chosen path of ensuring ease of doing business by reducing compliance requirements where possible, automating submission and processing of documents/returns, removing difficulties faced by businesses while at the same time promoting self-regulation for compliance with the Act and regulations, and increased governance norms. Such initiatives have attracted foreign investors to invest in and collaborate with Indian business houses in order to take advantage of the immense potential that the unique Indian market offers to the world economy, which was partially diluted in the past due to the notion of over-regulation and compliance burden.

Ashish Chhawchharia
Partner
GT Restructuring Services LLP

Indian Accounting Standards (Ind AS)

Accounting that puts substance before form

The financial year that ended on 31 March 2018 concluded the first phase of the implementation of Indian accounting standards, where all listed companies and those with a net worth of over INR 250 crore experienced a transition to globally recognised accounting standards. The second phase of implementation with NBFCs and banks adopting these standards, particularly, Ind AS 109, is on the way and we shall witness them by June 2019.

We have noted that although companies faced some challenges while transitioning, (particularly significant differences between the tax accounting standards and Ind AS), they have now started to see the advantages of more evolved accounting standards, with greater focus on the substance of the underlying commercial transaction.

In our experience, the following had, and shall continue to have, the most impact on the financial matrices of the companies in the IT and ITeS and e-commerce sectors:

1. Accounting for business combination, especially treatment of common control transactions, amid court-approved schemes
2. Classification of financial instrument into equity or liability
3. Revenue recognition, especially arrangements negotiated together but documented in separate contracts

Similarly, the following factors had and will continue to impact the financial matrices of the companies in the manufacturing, retail and consumer space:

1. Accounting for property, plant and equipment, particularly, classification of item of expenditure into components and consequent adjustments with the related cost of asset
2. Treatment of incentives, rebates and other arrangements across the distribution channel
3. Classification of warranty between service and assurance and estimation thereof

Despite the successes of transition to Ind AS, this globally recognised framework will be tested extensively in the coming months and years for the following situations unique to India and co-terminus:

1. Rigour of IBC on the hygiene of the financial statements, both prior to the admission and post resolution
2. Adoption of Ind AS 109 by banks at a time when there are concerns around their asset quality
3. Implementation of new standards, Ind AS 115 by real estate companies and Ind AS 116 by companies that have leased assets, for example, aviation.

Outlook for 2019

In our view, Ind AS have the capacity and capability to address various challenges provided the stakeholders, inter alia, investors and boards of companies, actively inculcate these standards in their regular business communication, internal or external. These standards, focusing on the substance, provide a better accounting, presentation and disclosure of business transactions, thereby helping relevant users make informed decisions.

Ashish Gupta
Director
Grant Thornton Advisory Private Limited

Private equity dealscape

- Sector focus
- Top 10 deals - 2018
- State-wise PE investments in India
- Notable PE investments in 2018
- PE exit trend
- Expert speak

Sector focus

The start-up sector continued to remain the favourite of private equity and venture capital, which is reflected in the investment values (2.4× growth as compared to 2017), though volumes remained fairly stable. While banking and e-commerce led the investment volumes, reforms like the RERA Act 2016 helped and are still helping the real estate sector become one of the largest growing sectors attracting PE investors' attention. Energy and pharma sectors also attracted big ticket investments driving the PE deal values. Agriculture, infra, manufacturing and education sectors also attracted significant investments as compared to 2017.

Start-up

2,412	2,186	5,273
665	453	466

Banking and financial services

1,878	4,140	1,935
38	42	45

Pharma, healthcare and biotech

656	846	1,254
30	23	24

Real estate

1,519	2,864	2,763
18	24	23

Energy and natural resources

481	639	1,861
7	8	18

Agriculture and forestry

158	60	1,211
9	2	4

IT and ITeS

1,367	814	731
50	53	40

E-commerce

975	6,034	1,118
31	33	45

Retail and consumer

335	587	617
29	29	36

Infrastructure management

128	70	1,092
4	7	5

Manufacturing

981	47	593
18	6	11

Education

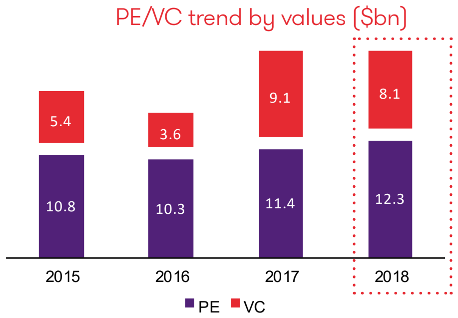
208	99	568
19	15	23

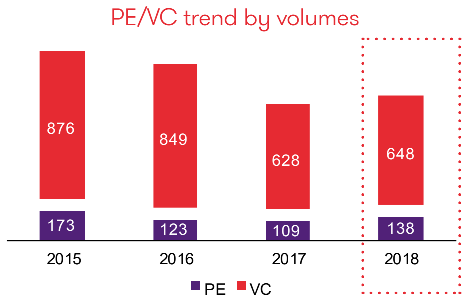
Media and Entertainment

156	523	270
17	15	17

Values $mn	2016	2017	2018
Volume	2016	2017	2018

Top 10 deals - 2018





Top deals accounted for 34% of the total PE deal values

Investor	Investee	Sector	Stake %	Investment values in $mn
Abu Dhabi Investment Authority and TPG Capital Asia	UPL Ltd - UPL Corp	Agriculture and forestry	22%	1,200
Naspers, Tencent Holdings, Hillhouse Capital, Wellington Management, DST Global, Meituan Dianping and Coatue Management	Bundl Technologies Pvt Ltd - Swiggy.com	Start-up	N.A.	1,000
SoftBank Corp, Sequoia Capital, Lightspeed Venture Partners, Grab	Oravel Stays Pvt Ltd - OYORooms.com	Start-up	N.A.	900
Blackstone Group Lp	Indiabulls Properties Pvt Ltd and Indiabulls Real Estate Company	Real estate	50%	742
Midlothian Capital Partners	Cox & Kings Ltd - HB Education Limited	Hospitality and leisure	100%	609
KKR	Ramky Enviro Engineers Ltd (REEL)	Infrastructure management	60%	530
GIC, Greenko Ventures and Abu Dhabi Investment Authority	Greenko Energy Holdings Pvt Ltd	Energy and natural resources	N.A.	447
GIC	Exora Business Parks Limited	Real estate	40%	406
SoftBank	Paytm E-commerce Private Limited - Paytm Mall	Start-up	N.A.	400
Lone Star Funds and RattanIndia Group	RattanIndia Finance Pvt Ltd	Banking and financial services	50%	400
Naspers, Canada Pension Plan Investment Board, General Atlantic	Think & Learn Pvt Ltd - Byju's	Education	N.A.	400

To fund the largest acquisition of Arysta Lifescience Inc, UPL Ltd raised $1.2 bn, making it the largest funding in 2018.

With this funding, Swiggy has become the fifth most valuable start-up in India at a valuation of $3.3 bn. The latest round marks the single largest investment in any one particular round in the Indian FoodTech sector.

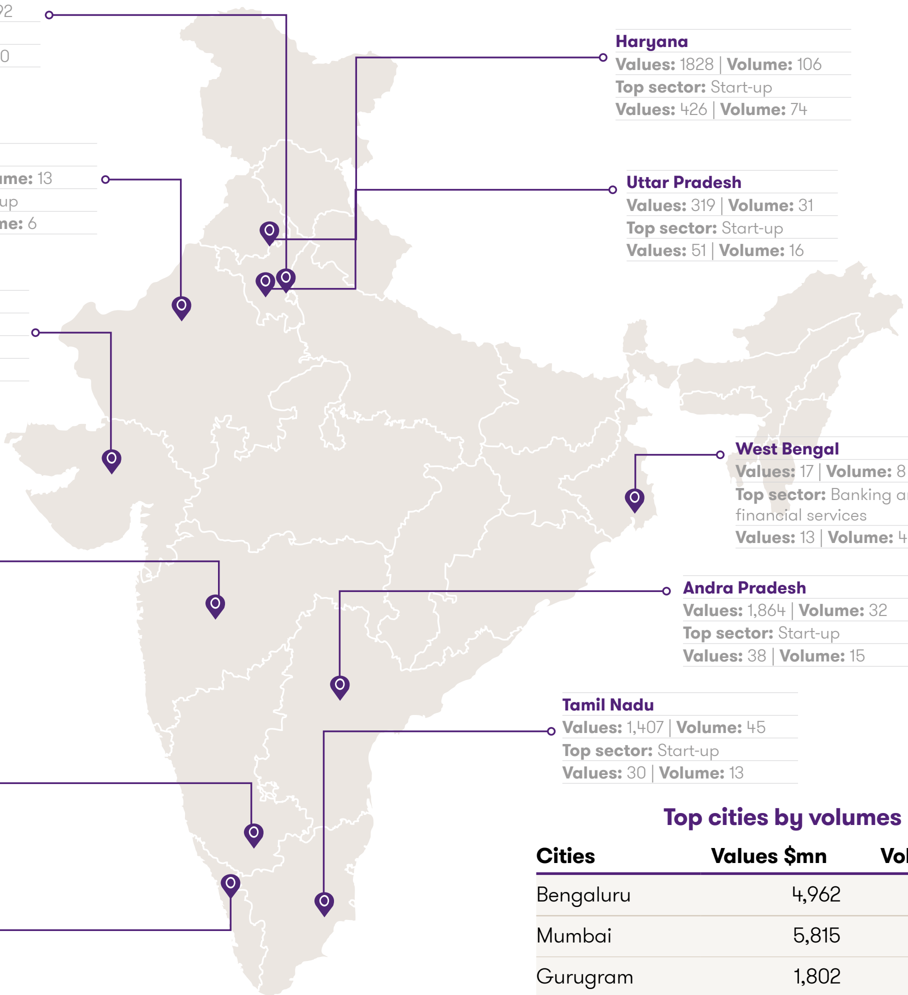
KKR's investment in REEL marks is one of the largest buyouts in India, in addition to being the first private equity buyout in the country's highly attractive environmental services sector.

Gains unicorn status.

This rounds makes Byju's the 4th most valuable start-up in India.

State-wise PE investments in India

With nearly 80% of the total investments in 2018, NCR, Karnataka and Maharashtra received a significant interest in terms of PE investments. The start-up sector dominated investment volumes across nine top states, attracting the maximum PE attention. India is becoming home to start-ups focused on high growth areas like mobility, e-commerce and other vertical specific solutions, creating new markets and driving innovation.



Top cities by volumes

Cities	Values $mn	Volumes
Bengaluru	4,962	217
Mumbai	5,815	174
Gurugram	1,802	101
Delhi	3,063	92
Chennai	1,383	42
Hyderabad	1,861	31
Pune	290	25
Noida	299	23
Ahmedabad	145	12
Jaipur	309	11

Values in $mn

Notable PE investments in 2018

Swiggy raises $1 bn in its Series H round of funding led by Naspers and Tencent Holdings

Start-up

Rationale: With its latest funding, Swiggy has become the fifth most valuable start-up in the country, commanding a valuation of $3.3 bn and underscoring the stunning rise of a venture that was launched four years ago. Existing investors like Hillhouse Capital Group, Wellington Management, DST Global, Meituan Dianping and Coatue Management also participated in this round of funding.

Swiggy is expected to use a significant amount of its funding to enter new businesses and areas, especially in the hyperlocal space. The fresh capital infusion will provide more ammunition to Swiggy as it battles Zomato, Foodpanda and UberEats. Swiggy will also use the capital to hire talent across mid and senior levels, especially for machine learning and engineering roles. The company will further strengthen its technology backbone and focus on building a next-generation artificial intelligence (AI)-driven platform for hyperlocal discovery and on-demand delivery.

UPL Ltd acquires Arysta LifeScience Inc, raises $1.2 bn from ADIA and TPG Capital Asia

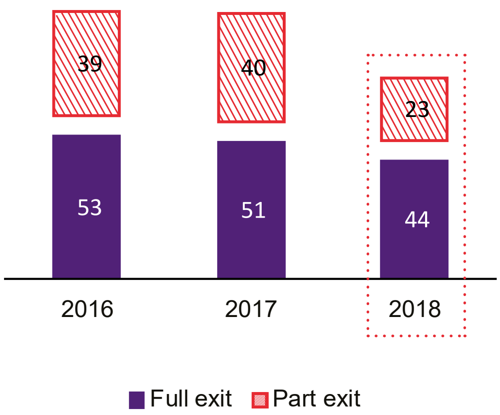
Agriculture and forestry

Rationale: UPL Ltd announced that its wholly owned subsidiary UPL Corp, US, had signed a definitive agreement with Platform Specialty Products Corporation to acquire Arysta LifeScience Inc and its subsidiaries. The agreement will see ADIA and TPG Capital Asia invest $1.2 bn ($600 mn each) for a 22% combined shareholding in UPL Corp to facilitate UPL Corp's $4.2 bn acquisition of Arysta.

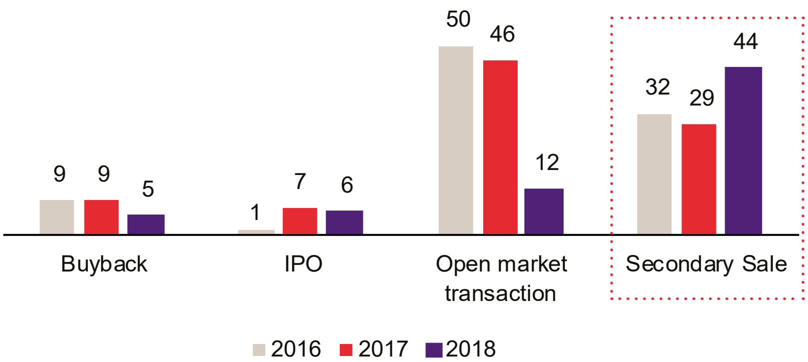
PE exit trend

2018 witnessed about 67exits valued at around $13.7 bn. Though volumes witnessed a 26% decline, aggregate exit values doubled as compared to 2017. This was mainly driven by Walmart's majority state acquisition of Flipkart providing stellar returns to its investors via secondary sale. Secondary sale was the preferred exit route capturing 66% of the total exit volumes.

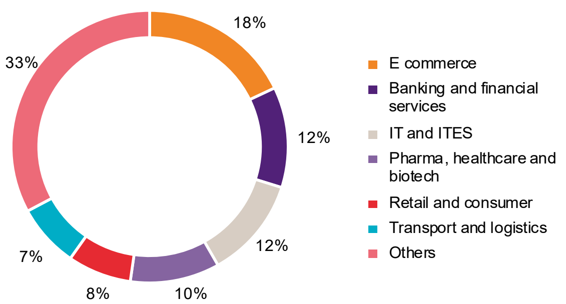
PE exit trend by volumes



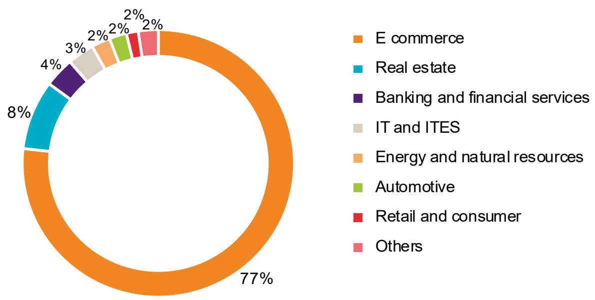
PE exit route by volumes



PE sector exit by volumes



PE sector exit by values



Notable PE exits

Investor exited	Investee company	Part/full exit	Sector
Softbank	Flipkart Online Services Pvt Ltd	Part exit	E-commerce
Tiger Global Management	Flipkart Online Services Pvt Ltd	Part exit	E-commerce
Naspers	Flipkart Online Services Pvt Ltd	Full exit	E-commerce
Qatar Investment Authority (QIA) and Baring Private Equity Partners	RMZ Corp	Full exit	Real estate
Accel India and Accel US	Flipkart Online Services Pvt Ltd	Full exit	E-commerce

Expert speak

The Indian PE/VC industry set a record-breaking benchmark of 737 deals worth \$20.5 bn in 2017. With 786 deals worth \$20.5 bn in 2018, the industry has proven that 2017 was not merely a one-time phenomenon and that the PE/VC industry has entered a phase of maturity.

Despite 2018 witnessing only two billion-dollar deals compared to five in 2017, the investment values were able to match the 2017 levels because of the 45 deals in the \$100 mn+ range compared to only 25 in the previous year. Both the companies and investors are favouring larger ticket sizes owing to multiple reasons like entrepreneurs chasing bigger dreams and projects needing larger capital, investors opening up to larger stakes, more mature companies adopting the PE route for strategic expansion leading to larger deals, and capital being raised. This is a healthy and self-sustaining cycle, which is expected to continue going forward.

Of the \$20.4 bn PE investment in 2018, start-ups contributed 26%, followed by real estate (14%), banking, financial services and insurance (BFSI) and energy (9% each), healthcare (including pharma) and agriculture (fertilisers) contributing 6% each totalling over 70% from these top sectors. Deal volumes were driven by start-ups, BFSI, e-commerce, IT and ITeS, and consumer sector. Funds continue to emphasise on platform play as a key theme to consolidate expertise and synergies within a sector and facilitate a possibly larger exit opportunity in the future. This is evident in Softbank's e-commerce/consumer pursuit, Blackstone's real-estate play, InVascent/Orbimed's healthcare focus, etc. Further, technology as an enabler continues to be a key deal driver across sectors.

Exits continued to maintain momentum with strategic sale being the preferred mode driving exit values. Exits in the last couple of years are nearing investment values, heralding the onset of maturity in the Indian PE/VC landscape and boosting the confidence of Limited Partners (LPs) . However, e-commerce alone accounted for almost 70%-80% of the exit values, and we are yet to see if it will ultimately result in tangible value creation for the stakeholders.

The year also witnessed global sovereign pension funds (such as CPPIB, Oman India Joint fund, Abu Dhabi Investment, GIC, Khazanah, etc.) and conglomerates (such as Fosun) focusing more on Indian assets, particularly in the consumer and infrastructure space. With roughly a fifth of the world's population and the fastest growing economy in the world, India represents a key market for investors who are setting up local offices to scout for quality assets and long-term commitment. These players with deep pockets complement the traditional PEs by accommodating varied sectors, timeframes and return expectations.

While 2018 was a healthy year for PE/VC investments and exits, challenges such as valuation expectations and corporate governance persist, requiring a cautious approach from investors. PEs are forced to bet on the many mediocre assets that are riding on the back of a few deserving targets with high valuations. Nevertheless, measures like NCLT, GST and companies law revamp have helped in reviving investor confidence and the sector is poised to continue to outperform in the coming years.

From a macro perspective, 2018 ended with a tinge of uncertainty due to headwinds such as oil price spikes, INR lows and election results in a few key states contrary to expectations. In view of the upcoming general elections in 2019, PE/VCs may consider taking a wait-and-watch approach in the immediate term. However, this may not affect the already prevailing positive sentiments in sectors like technology and consumer. From an exit standpoint, IPOs may tread a cautious path making strategic sale a preferred mode.

Vrinda Mathur
Partner
Grant Thornton India LLP

Start-up India

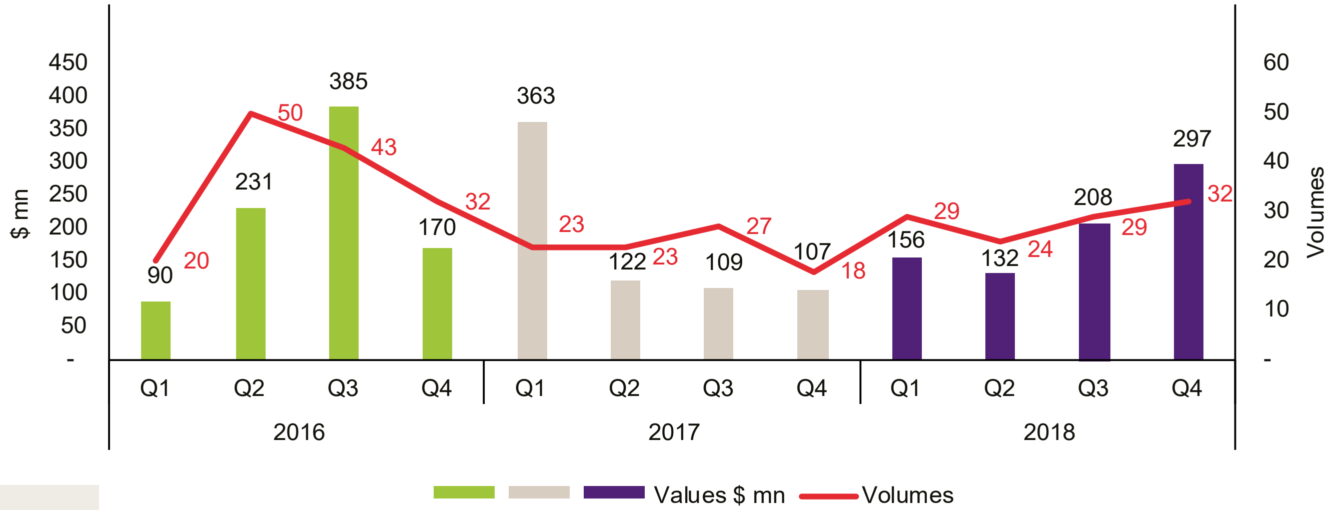
- Quarterly deal trend
- Top deals - 2018
- Start-up funding chart and Unicorns
- Geographic spread
- Start-up summary based on business model
- Sector focus
- Expert speak

Quarterly deal trends

M&A trend

M&A activities in the Indian start-up sector have picked up considerably over the past years. Start-up deal activity witnessed an overall positive trend with a 13% increase in the values and a 25% increase in the volumes in 2017. In addition to the traditional M&A activity undertaken for consolidation of businesses/synergies in operations/achieving efficiencies, among other things, a number of Indian M&A transactions in the start-up sector are also driven mostly with the need of acquiring skilled staff.

	2016	2017	2018
Deal summary	**145** deals **$876** mn	**91** deals **$701** mn	**114** deals **$793** mn
Top deals	PayUmoney - Citrus Payment Solutions Pvt Ltd ($130 mn)	PropTiger Realty Pvt Ltd Housing.com - Locon Solutions Pvt Ltd ($250 mn)	ANI Technologies Pvt Ltd-Olacabs.com Vogo Automotive Pvt Ltd ($100 mn)

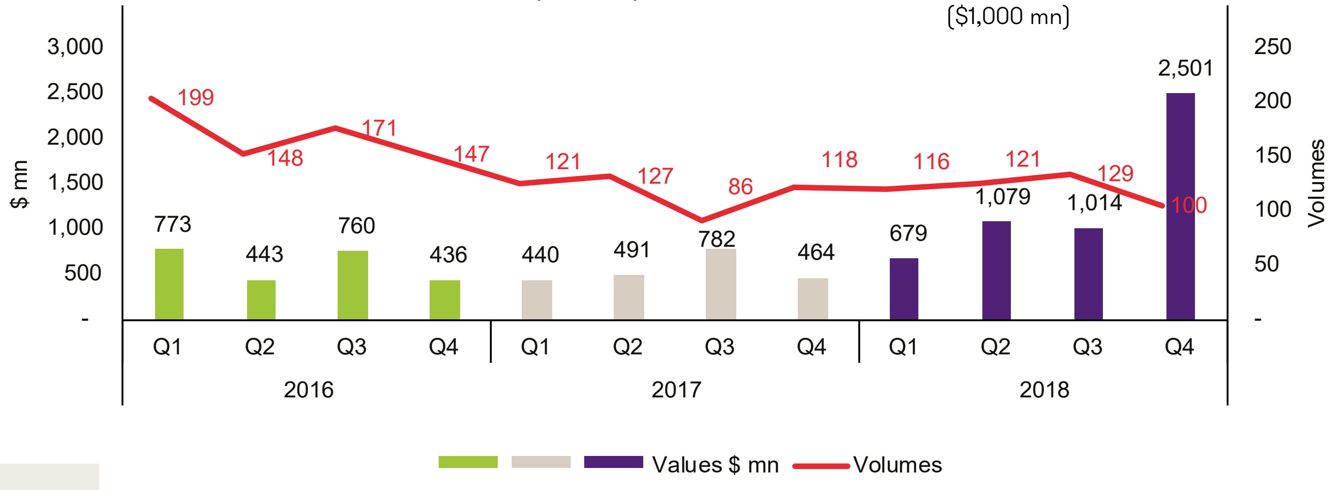


	2016	2017	2018
Top sector by value	Retail (21%)	Discovery platform (10%)	Travel, transport and logistics (34%)
Top sector by volume	Retail (16%)	Enterprise applications and infrastructure (14%)	FinTech (18%)

PE trend

2018 has been a record-breaking year for start-up funding with investment values more than doubling to $5.3 bn over 2017, while volumes recorded a marginal increase of 3%. This surge in the deal values was on account of an increase in later-stage investments. The increase in the number of series C and D deals this year indicates a renewed interest and faith in the Indian start-up ecosystem. This allows start-ups to accelerate the growth momentum, win in the market as well as launch or expand in different geographies, and acquire other companies.

Deal summary	**665** deals **$2,412** mn	**452** deals **$2,176** mn	**466** deals **$5,273** mn
Top deals	Tencent, Foxconn, Tiger Global, Bharti Enterprises and Softbank - Hike Ltd ($175 mn)	SoftBank, Hero Enterprise, Sequoia, Lightspeed Venture Partners and Greenoaks Capital - Oravel Stays Pvt Ltd - OYORooms.com ($250 mn)	Naspers, Tencent, Hillhouse Capital, Wellington Management, DST Global, Meituan Dianping and Coatue Management - Bundl Technologies Pvt Ltd - Swiggy.com ($1,000 mn)



Top sector by value	Retail (26%)	Travel, transport and logistics (24%)	FoodTech (26%)
Top sector by volume	Enterprise applications and infrastructure (13%)	Enterprise applications and infrastructure (15%)	FinTech (18%)

Top M&A deals

These top five deals accounted for 36% of the total start-up values

Acquirer	Target	Sub-sector	$mn	% stake
ANI Technologies Pvt Ltd - Olacabs.com	Vogo Automotive Pvt Ltd	Travel, transport and logistics	100	N.A.
Kwang Yang Motor Co Ltd	Twenty Two Motors Pvt Ltd	Others	65	25%
Alibaba Group Holding Ltd	Paytm E-commerce Private Limited	Retail	45	N.A.
Essel Infraprojects Ltd - Essel Green Mobility	ZipGo Technologies Pvt Ltd	Travel, transport and logistics	43	N.A.
Alibaba.com Singapore E-Commerce Pvt	BusyBees Logistics Solutions Pvt Ltd - Xpressbees	Travel, transport and logistics	35	N.A.

Top PE deals

These top five deals accounted for 52% of total start-up values

Investor	Investee	Sub sector	$mn
Naspers, Tencent Holdings, Hillhouse Capital, Wellington Management, DST Global, Meituan Dianping and Coatue Management	Bundl Technologies Pvt Ltd - Swiggy.com	FoodTech	1,000
SoftBank Corp, Sequoia Capital, Lightspeed Venture Partners, Grab	Oravel Stays Pvt Ltd - OYORooms.com	Travel, transport and logistics	900
SoftBank	Paytm E-commerce Private Limited - Paytm Mall	Retail	400
DST Global and Lightspeed Venture Partners	Hiveloop Technology Pvt Ltd - Udaan	Retail	225
Naspers, DST Global, Meituan-Dianping and Coatue Management	Bundl Technologies Pvt Ltd - Swiggy.com	FoodTech	210

Top start-up funding chart (2016-2018)

Start-ups raising highest rounds of funding in the last three years

Company	Funds raised ($mn)	Funding round
Bundl Technologies Pvt Ltd - Swiggy.com	1,447	7
Curefit Healthcare Pvt Ltd	165	7
Aaidea solutions Pvt. Ltd - Milkbasket	19	5
NesAway Technologies Pvt Ltd - NestAway	137	5
Rakyan Beverages Pvt. Ltd - RAW Pressery	21	5
Sorting Hat Technologies Private Limited - Unacademy	39	5
Aaidea solutions Pvt Ltd - Milkbasket	20	5

Funds raised ($mn)   Funding round

Start-ups that raised over $100 mn funding in aggregate in the last three years

Funds raised ($mn)	Company	Volumes
1,447	Bundl Technologies Pvt Ltd - Swiggy.com	7
1,240	Oravel Stays Pvt Ltd - OYORooms.com	3
400	Paytm E-commerce Private Limited - Paytm Mall	1
285	Hiveloop Technology Pvt. Ltd - Udaan	3
178	Hike Ltd	2
165	Curefit Healthcare Pvt Ltd	7
150	Innovative Retail Concepts Pvt Ltd - BigBasket.com	1
137	Nestaway Technologies Pvt Ltd - NestAway	5
125	Rivigo Services Pvt Ltd - Rivigo	2
120	Just Buy Live Enterprise Pvt Ltd	2
110	Clues Network Pvt Ltd - ShopClues	1
107	Lendingkart Technologies Pvt Ltd - Lendingkart.com	3

Funds raised ($mn)   Volumes

Unicorns 2018

In 2018, giant international conglomerates like SoftBank, Tencent and Alibaba made big bets on start-ups, making India home to 26 unicorns - the maximum number of unicorns in 2018. The funding is an indication of appetite that the start-ups have for funds and also the confidence level of investors in India.

Zomato
$1.1 bn

Byju's
$1.8-2 bn

Paytm Mall
$1.6 bn - 2 bn

Swiggy
$1.3 bn

PolicyBazaar
$1 bn

Freshworks
$1.1 bn

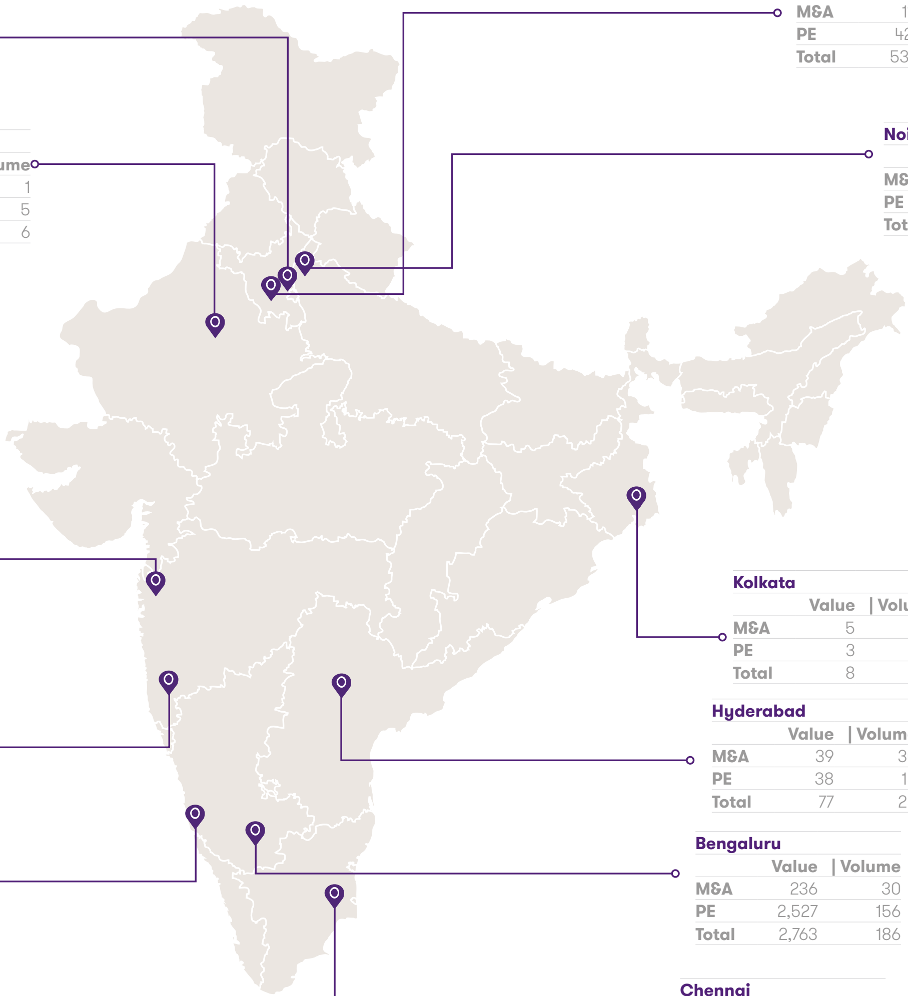
Oyo Rooms
$1.1 bn

Udaan
$1.1 bn

Unicorns 2018 **Estimated valuation**

Geographic spread

Bengaluru, Mumbai and Gurugram are the top three cities in India that have recorded a tremendous growth in start-ups. Also, around 20% of the start-ups are established outside Bengaluru, NCR and Mumbai. This shows a rise in the number of startups in tier 2 and tier 3 cities.



Delhi

	Value	Volume
M&A	144	15
PE	1,562	60
Total	1,706	75

Gurugram

	Value	Volume
M&A	111	12
PE	421	70
Total	533	82

Jaipur

	Value	Volume
M&A	10	1
PE	35	5
Total	45	6

Noida

	Value	Volume
M&A	40	5
PE	42	11
Total	82	16

Mumbai

	Value	Volume
M&A	90	23
PE	445	93
Total	535	116

Kolkata

	Value	Volume
M&A	5	1
PE	3	3
Total	8	4

Pune

	Value	Volume
M&A	76	6
PE	44	12
Total	120	18

Hyderabad

	Value	Volume
M&A	39	30
PE	38	15
Total	77	25

Kochi

	Value	Volume
M&A	5	1
PE	12	4
Total	17	5

Bengaluru

	Value	Volume
M&A	236	30
PE	2,527	156
Total	2,763	186

Chennai

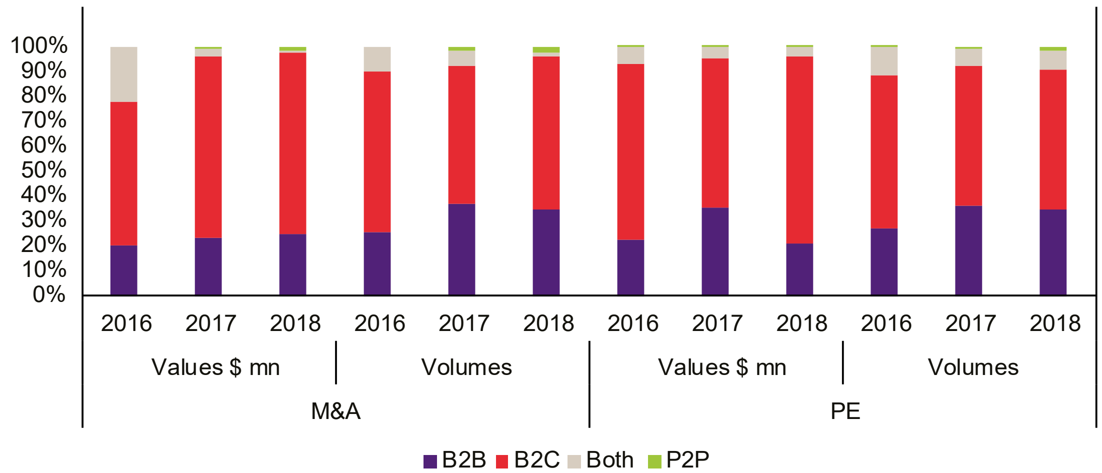
	Value	Volume
M&A	9	2
PE	29	12
Total	38	14

Values in $mn

Start-up summary based on business model breakdown

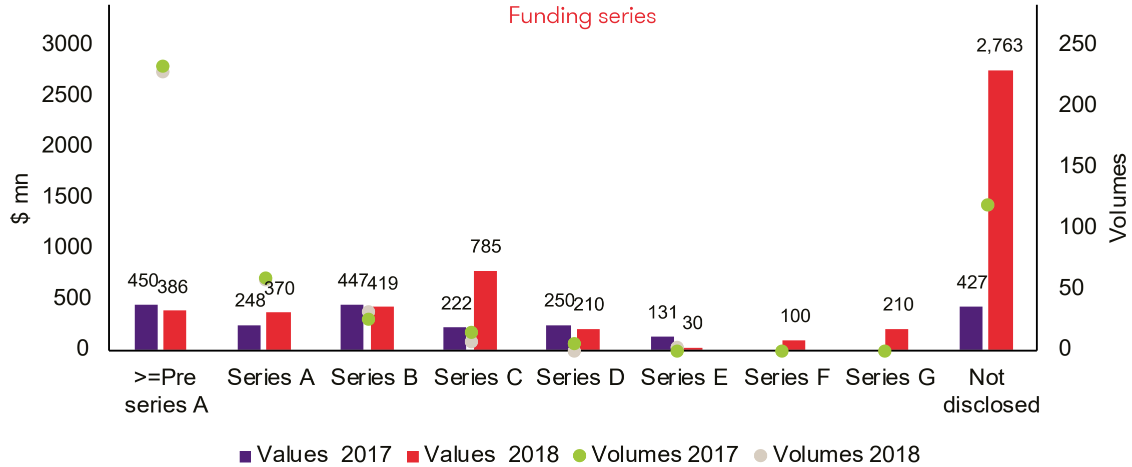
Funding for the B2B business (both M&A and PE) space is in conjunction with B2C, generating 35% of the total start-up deal volumes and 22% of the deal values, indicative of a growing ecosystem. However, the biggest wins in the start-up segment have been consumer companies, and that is likely to continue to be the case. The B2B segment witnessed investments in key segments like enterprise application and infrastructure, data analytics, logistics and FinTech.

Start-up classification



While start-ups struggled to get a good amount of fundings in 2017, the year 2018 was the year of aggressive investments. India witnessed a 142% growth - $2.2 bn to $5.3 bn - in the total funding scenario. While investments at the later stages saw a massive growth of around 121% - from $603 mn in 2017 to $1.3 bn in 2018 - a decline was observed in the funding for companies at the seed stage.

Funding series



Sector focus

The Fin Tech sector stood out in terms of start-up funding in 2018. It raised an aggregate funding of $509 mn through 83 deals. This was driven by the government's aggressive push for cashless technologies like digital wallets, internet banking, mobile-driven points of sale, etc., and the launch of the IndiaStack - eKYC, UPI and BHIM. FoodTech and transport and logistics also raised significant funding during the year.

A lot of innovations by tech start-ups have seen an increasing traction from investors in the HealthTech, retail and logistics sectors as a result of the effective utilisation of AI and big data, and with the launch of IoT innovations, among others.

PE

FinTech		
166	287	509
57	59	83

Travel, transport and logistics		
323	513	1,255
63	46	46

Enterprise applications and infrastructure		
232	334	284
85	70	53

Retail		
624	148	843
82	46	56

Discovery platforms		
221	156	243
81	41	35

HealthTech		
124	173	329
57	38	48

Data analytics and AI		
53	63	47
30	28	27

On-demand services		
137	102	154
61	30	28

FoodTech		
123	121	1,384
27	13	15

Others		
410	279	224
122	81	75

Top sectors based on deal volume

Values $mn	2016	2017	2018
Volume	2016	2017	2018

The FinTech segment was in the limelight in 2018 as big retail, banking, consumer, and internet companies adopted the digital payments method, driving consolidation. Start-ups tackling supply chain and logistics are innovating in a variety of areas. This has pushed bigger companies to acquire start-ups in this segment, to equip themselves with the latest technology and expand their market.

Data analytics, enterprise application and AI proved they were ready for disruption.

M&A

FinTech		
171	40	97
10	9	21

Travel, transport and logistics		
38	38	269
10	9	18

Enterprise applications and infrastructure		
91	58	45
20	13	10

Retail		
181	36	86
23	6	11

Discovery platforms		
82	73	40
18	10	8

HealthTech		
25	16	15
6	4	3

Data analytics and big data and AI		
64	30	36
11	6	9

On-demand services		
95	51	31
20	10	8

FoodTech		
20	25	53
4	6	8

Others		
109	334	121
23	18	18

Top sectors based on deal volume

Values $mn	2016	2017	2018
Volume	2016	2017	2018

Expert speak

2018 was an epochal year in the Indian mercantile history. Flipkart's acquisition by Walmart is a huge thumbs-up to the Indian start-up ecosystem and the growing consumption power of digital India.

The $16 bn+ investment will spawn many millionaires and inspire other entrepreneurs not just in Bengaluru but across India and the world.

The M&A action among start-ups is in an upswing. It grew 25% from last year reaching 100+ deals, while the value seems to have stagnated at about $793 mn with FinTech and travel and logistics leading the sub sectors at nearly 40 deals and about $366 mn in value aggregation.

In direct investments, although the deal volume stabilised at about 450+ deals from the last year, the value of the deals increased to more than $3 bn, indicating a 142% jump in direct investment – mainly driven by infusion in Ola, Oyo, Paytm and the new Unicorn Swiggy.

With one of the fastest growing economies in the world witnessing 7.3% GDP growth and an increasingly mobile-first population standing at approximately 500 mn mobile internet users, India will continue to adopt various internet-led services, thus augmenting technology and start-ups across various sectors. A $100 mn infusion into Sharechat by Xiaomi and SAIf partners at a valuation of $460 mn is a strong indicator of the adoption of smartphones and mobile internet across rural and metro India. Regional languages-based content start-ups have seen a huge upsurge, perhaps mimicking ByteDance's China story.

Although the net investments in start-ups may have come down, they are certainly stabilising as early stage and late stage investments are both seeing a steady pace of growth in areas like EduTech, HealthTech, and FinTech. We are also witnessing a fair amount of M&As in the tech start-up space given the high valuations of yesteryears' performance outcomes, which is subject to natural course correction.

2019 will see a continuation of trends as start-ups absorb large capital in B2C sectors like financial services, food aggregation, consumer brands, education and media/content services. With a growing B2C segment, enterprise tech will continue to grow as exits are envisaged, given the rise in M&As. As India is home to the third largest start-up ecosystem, an increasing number of high quality start-ups across B2B and some in B2C will continue to receive funding albeit varying valuations primarily determined by client/consumer traction than by pure leap of faith and market size.

Vidhya Shankar
Executive Director
Grant Thornton India LLP

Sector spotlight

- Overall sector focus
  - IT and ITeS
  - Banking and financial services
  - Manufacturing
  - Retail and consumer
  - E-commerce
  - Sectors attracting big ticket deals

Sector focus

Top sectors based on deal values $mn

A consolidation wave drove the values in telecom, e-commerce, manufacturing and energy sectors with the sectors witnessing multi-billion dollar deals. These sectors together captured 61% of the total deal values in 2018.

Telecom		
2016	2017	2018
3,971	26,056	19,260

E-commerce		
2016	2017	2018
3,198	8,145	18,005

Manufacturing		
2016	2017	2018
7,291	1,232	16,663

Energy and natural resources		
2016	2017	2018
18,493	2,499	13,976

IT and ITeS		
2016	2017	2018
4,178	1,832	6,354

Start-up		
2016	2017	2018
3,288	2,877	6,065

Retail and consumer		
2016	2017	2018
639	1,238	5,924

Agriculture and forestry		
2016	2017	2018
605	373	5,549

Banking and financial services		
2016	2017	2018
3,006	7,306	4,652

Pharma, healthcare and biotech		
2016	2017	2018
5,358	3,078	3,757

Real estate		
2016	2017	2018
1,941	3,288	3,304

Media and Entertainment		
2016	2017	2018
1,136	931	1,876

Infrastructure management		
2016	2017	2018
799	711	1,520

Data includes both M&A and PE

Top sectors based on deal volumes

Driven by an uptick in the start-up funding space, the sector topped the deal volumes contributing to 46% of the total deal volumes in 2018. This was followed by IT, banking and e-commerce sector together capturing 20% of the deal volumes.

Start-up		
2016	2017	2018
810	543	580

IT and ITeS		
2016	2017	2018
106	123	105

Banking and financial services		
2016	2017	2018
71	67	77

E-commerce		
2016	2017	2018
49	54	69

Retail and consumer		
2016	2017	2018
57	54	61

Pharma, healthcare and biotech		
2016	2017	2018
84	58	60

Manufacturing		
2016	2017	2018
55	39	53

Media and Entertainment		
2016	2017	2018
45	36	46

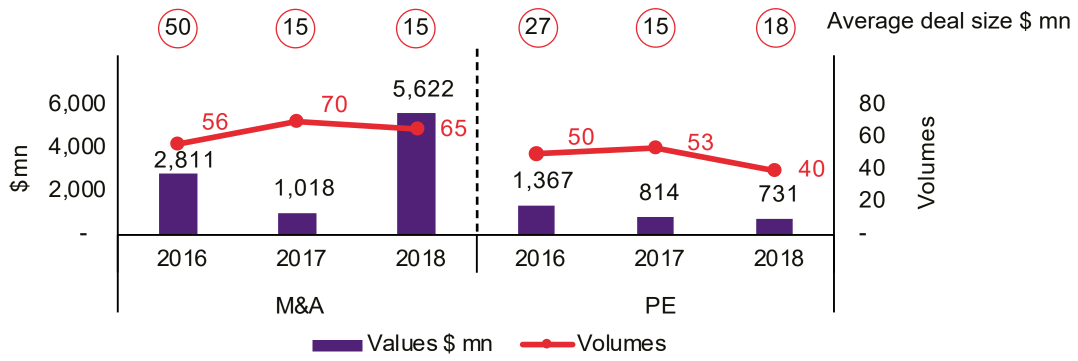
Education		
2016	2017	2018
25	23	37

Energy and natural resources		
2016	2017	2018
34	20	36

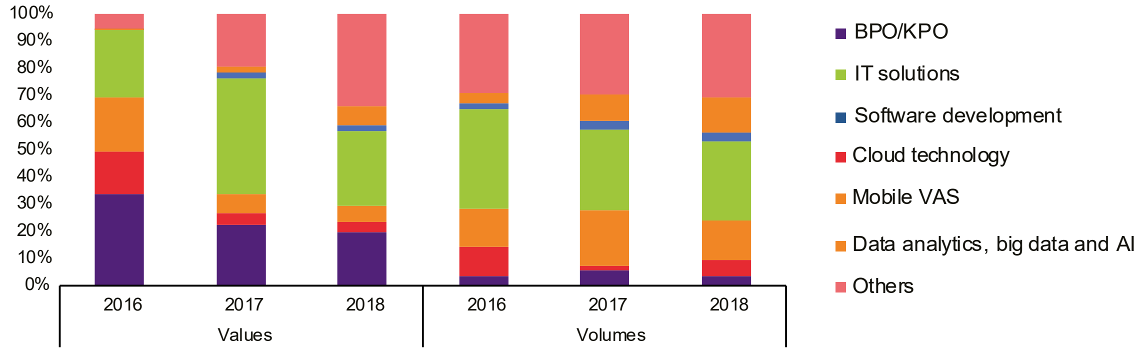
Real estate		
2016	2017	2018
23	31	29

IT and ITeS

Yearly deal trend



Sub-sector classification



Top M&A deals

These top five deals accounted for 75% of the total sector deal values

Acquirer	Target	Sub-sector	$mn	% stake
HCL Technologies Ltd	International Business Machines Corp. (IBM) - 8 Software Products	Software development	1,800	100%
Teleperformance	Intelenet Global Services Private Ltd	BPO/KPO	1,000	100%
Birlasoft (India) Limited	KPIT Technologies Ltd	IT solutions	700	N.A.
Ensono Holdings	Wipro Ltd - hosted data centre services business	IT solutions	405	N.A.
HCL Technologies Ltd and Sumeru Equity Partners	Actian Corporation Inc	Data analytics and big data and AI	330	100%

Data includes both M&A and PE

Top PE deals

These top deals accounted for 59% of the total sector values

Investor	Investee	Sub-sector	$mn	% stake
Temasek and PayPal Holdings Inc	Pine Labs Pvt Ltd	IT solutions	125	N.A.
Accel Partners, Sequoia Capital and CapitalG	FreshDesk Technologies Pvt Ltd	Software development	100	N.A.
Shunwei Capital, Morningside Ventures, Jesmond Holdings, Xiaomi, Lightspeed Partners, SAIF Partners, Venture Highway	Mohalla Tech Pvt Ltd - Sharechat	Mobile VAS	99	N.A.
Actis Capital and Altimeter Capital	Pine Labs Pvt Ltd	IT solutions	82	N.A.
Accel Partners	Browserstack Software Pvt Ltd	IT solutions	50	N.A.
Meritech Capital Partners, PSP Growth, Cross Creek Advisors, B Capital Group, Ignition Partners, Eight Roads Ventures and Greycroft Partners	Icertis Inc	Software development	50	N.A.

Expert speak

The M&A deal volume (65 deals) in 2018 was lower than that in 2017 (70 deals). However, the total deal value was higher at $5,622 mn as compared to $1,018 mn in 2017 primarily due to five large deals with deal value of over $250 mn. Such large deals were absent in 2017 as the industry was facing political uncertainties like curbs on outsourcing/H1B visas in the US and exit of Britain from EU, and new technology adaptations like automation/data analytics/AI. The industry has embraced and/or adapted to these challenges, hence the deal value was higher than that in 2016 with 56 deals worth $2,811 mn.

India's cost competitiveness in providing IT services and continuing to be the mainstay of the global sourcing market is clearly reflected in the three large inbound deals worth $1,686 mn in BPO/KPO and IT solutions sectors. Further, the outbound deals were in new technology-related data analytics/big data/AI and cloud technology space, which were minimal in 2017.

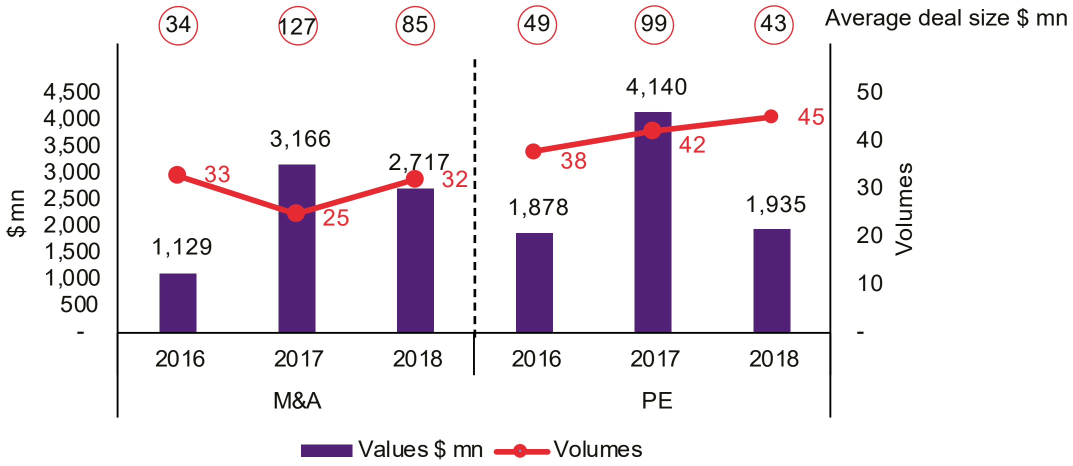
2018 PE activity reduced to 40 deals worth $731 mn as compared to 53 deals worth $814 mn in 2017; the average deal size increased for software development, IT solutions and mobile VAS segments. The software development segment continued to attract investments with 14 deals worth $246 mn compared to 21 deals worth $239 mn in 2017). However, there has been a shift to ERP/CRM solutions from the earlier concentration on online/mobile gaming. The year 2018 witnessed high deal value in IT solutions and mobile VAS segments as compared to 2017 due to multiple investments in retail POS and messaging sub segments, respectively.

With a strong base in the global sourcing market and gradual adaption to the technological advancements, the deal activity in the Indian IT and ITeS industry is expected to increase in 2019. Since innovation and agility have become essential ingredients, one can expect to see a convergence of new technologies (for example cloud platforms with powerful analytics/AI make real-time services available), demand for blockchain capabilities (this is an emerging technology but is yet to be fully explored) and emergence of strategic partnerships (this is necessitated by the complexity of new technological developments). With several innovation centres set up in India by global IT firms, it augurs well for the country as it can strengthen its position in digital capabilities and emerging technologies, which will open up new opportunities for the Indian IT and ITeS industry in the ever changing technological landscape.

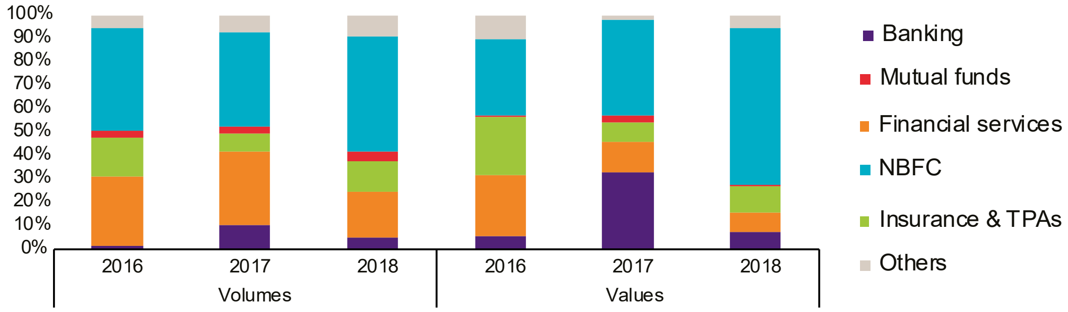
Shanthi Vijetha
Director
Grant Thornton India LLP

Banking and financial services

Yearly trend



Sub-sector classification



Top M&A deals

These top five deals accounted for 84% of the total sector deal values

Acquirer	Target	Sub-sector	$mn	% stake
IDFC Bank Ltd	Capital First Ltd	NBFC	1,460	N.A.
Tata Sons Ltd	Panatone Finvest Ltd	NBFC	237	40%
Ageas Insurance NV	Royal Sundaram General Insurance Ltd	Insurance and TPAs	205	40%
Fairfax India Holdings Corporation - FIH Mauritius Investments	Catholic Syrian Bank Ltd	Banking	188	51%
Ebix Inc	CentrumDirect Limited - CentrumForex	Financial services	185	100%

Top PE deals

These top five deals accounted for 50% of the total sector values

Investor	Investee	Sub-sector	$mn	% stake
Lone Star Funds and Rattan India Group	RattanIndia Finance Pvt. Ltd	NBFC	400	50%
Tamarind Capital Pte Ltd, Steadview Capital, ABG Capital and DF International Partners	Indiabulls Ventures Ltd	Others	210	N.A.
Camas Investments Pte Ltd	AU Small Finance Bank Limited	Banking	147	5%
WF Asian Reconnaissance Fund, Rimco Mauritius, Amansa Holdings, General Atlantic, Steadview and HDFC Standard Life Insurance	IIFL Wealth Management Ltd	NBFC	113	5%
TPG, Norwest Venture Partners, Sequoia Capital and Morgan Stanley Private Equity Asia	Five Star Business Finance Ltd	NBFC	100	N.A.

Expert speak

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The financial services industry has various segments like banking, insurance, private equity funds, asset management, NBFC, home finance, microfinance, micro housing finance, capital markets, mutual funds, pension funds and, to a great extent, FinTech. Financial sector reforms in India have improved resource mobilisations and allocation. The liberalisation of interest rates and the easing of cash reserve norms have helped mobilisation of funds to various sectors. It is pertinent to analyse the growth and development under each segment of this industry as far as its performance in FY 2018 is concerned. On an overall basis, technology remains to be the key for every segment of this industry, since a significant chunk of this industry is operated on the best platforms of IT. The financial service sector is very closely regulated.

Indian banking sector

Indian banks are increasingly focusing on adopting integrated approach to risk management. Banks have already embraced the international banking supervision accord of Basel II. According to the RBI, majority of the banks already meet the capital requirements of Basel III, which has a deadline of 31 March 2019. Most of the banks have put in place the framework for asset-liability match, credit and derivatives risk management. Total lending increased at a CAGR of 10.94% and the total deposits increased at a CAGR of 11.66% during FY07-18 and are further poised for growth, backed by demand for housing and personal finance.

On 02 January 2018, The Insolvency and Bankruptcy Code (Amendment) Bill, 2017 was passed in the Rajya Sabha, which provides a time-bound process to resolve insolvency of companies and individuals, the eligibility criteria for resolution applicants and a robust due diligence process. As part of the government's capital infusion plan of INR 65,000 crore in 21 public sector banks during FY 19, INR 11,336 crore will be infused in five PSU banks. The RBI has increased its key repo rate by 50 basis points to 6.50% in order to keep inflation under control and accelerate economic growth.

Banking Regulation (Amendment) Ordinance, 2017 inserted two new sections (viz. 35AA and 35AB) after section 35A of the Banking Regulation Act, 1949, which enable the union government to authorise the RBI to direct banking companies to resolve specific stressed assets by initiating the insolvency resolution process where required. The RBI has also been empowered to issue other directions for resolution and appoint or approve for appointment authorities or committees to advise banking companies for stressed asset resolution. The RBI mandated the Know Your Customer (KYC) standards, wherein all banks are required to put in place a comprehensive policy framework in order to avoid money-laundering activities.

As of September 2018, the government had in place the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, an open-ended scheme, and has also added more incentives. As on 18 October 2018, under PMJDY, INR 86,481 crore was deposited and 329.90 mn accounts were opened in India. Also, 247.4 mn 'Rupay' debit cards were issued to users. In addition to this, the government has launched India Post Payment Bank (IPPB) and has opened branches across 650 districts to achieve the objectives of financial inclusion. The IPPB will provide banking services to urban and rural areas, but its primary focus would be on the rural segment.

In September 2018, the Ministry of Finance launched the Financial Inclusion Index, which will be used to measure access, usage and quality to financial services.

As an extensive database of credit information, the RBI has decided to set up a Public Credit Registry (PCR), which will be accessible to all stakeholders. This will be an informatory repository that collates all loan information of individual and corporate borrowers. This will help banks distinguish between a bad and a good borrower and accordingly offer attractive interest rates to good borrowers and higher interest rates to bad borrowers. This would be of immense help to the banking industry, as it is a great measure for ascertaining credit worthiness.

The RBI, on 27 August 2018, released a discussion paper titled 'Banking Structure in India - The Way Forward'. The main theme of this paper was how to make Indian banks ready to support future growth of Indian economy and incorporate learning from recent global economic crisis. The major areas of discussion were (1) multi-layer banking structure, (2) continuous banking licences, (3) size and conversion of banks and (4) dilution of government stake in PSBs.

The year has indeed been very challenging for the banking industry.

Source: https://www.ibef.org

Insurance sector

The government's effort of insuring the uninsured has gradually improved insurance penetration and proliferation of insurance schemes in the country. The Indian insurance sector is expected to grow to INR 20,16,000 crore by FY 2020, owing to the solid economic growth and higher personal disposable incomes in the country. Over FY12–18, premiums from new businesses of life insurance companies in India increased at a 14.44% CAGR to reach INR 19,400,000 crore and non-life insurance premium (in INR) increased at a CAGR of 16.65%. Over the years, the share of the private sector in the life insurance segment has grown from around 2% in 2003 to 32.6% in April-May 2018. In the non-life insurance segment, the share of the private sector increased to 46.6% in 2018 from 14.5% in 2004.

There are 24 life insurance and 34 non-life insurance companies in the Indian market, who compete on price and products and services to attract customers. There are two reinsurance companies.

The intentions of the government to protect the lower stratum of the society could be seen with the launch of the National Health Protection Scheme under Ayushman Bharat. It provides coverage of up to INR 5,00,000 for secondary and tertiary care hospitalisation to more than 10 crore poor and vulnerable families (approximately 50 crore beneficiaries). The National Health Protection Mission will subsume the ongoing centrally sponsored schemes - Rashtriya Swasthya Bima Yojana (RSBY) and the Senior Citizen Health Insurance Scheme (SCHIS).

The government is currently in the process of divesting its investments in public sector units. It will merge three of the public sector insurance companies - Oriental Insurance Co. Ltd, National Insurance Co. Ltd and United India Insurance Co. Ltd - and list the merged entity.

Large insurers continue to expand, focusing on cost effective measures/cost rationalisation and aligning business models to realise reported embedded value (EV). The efforts of the insurers are towards creating value from future business rather than focusing on present profits. The thrust on digitisation continues with players investing in information technology to automate various processes and cut costs without impacting service delivery. Digitisation is expected to reduce 15%-20% of the total cost for life insurance and 20-30% for non-life insurance.

Insurance is now perceived as a measure beyond normal protection and individuals and corporates stand to benefit a lot, given that the consumer now has many options to choose from in the market. Going forward, increasing life expectancy, favourable savings and greater employment in the private sector are expected to fuel demand for pension plans. Likewise, strong growth in the automotive industry over the next decade would be a key driver for the motor insurance market.

Source : www.irdai.gov.in / www.ibef.org

Asset Management Company (AMC) and mutual funds

The asset management industry in India is among the fastest growing in the world. Currently, there are 44 AMCs in India. The mutual fund industry in India has seen rapid growth in assets under management (AUM). Total AUM of the industry stood at INR 24,03,134 crore in November 2018. The government launched the 'Bharat 22' exchange traded fund (ETF), which will be managed by ICICI Prudential Mutual Fund, and is looking to raise INR 8,000 crore initially. In the current year, HDFC Asset Management Company issued an initial public offer of INR 2800 crore. SEBI has issued SEBI (Mutual funds) (Amendment) Regulations, 2018 (amended regulations) to amend the SEBI (Mutual funds) Regulations, 1996 (principal regulations). These amended regulations have inserted new norms for shareholding and governance in mutual funds. In order to bring more transparency in total expense ratio (TER), SEBI has issued circulars to ensure that all scheme-related expenses, including commission paid to distributors, shall necessarily be paid from the scheme only within the regulatory limits and not from the books of AMC, its associate, sponsor, trustee or any other entity. AMCs shall adopt the full trail model of commission in all schemes, without payment of any upfront commission or upfronting of any trail commission.

Also, SEBI, in its board meeting on 18 September 2018, announced changes in the TER of mutual funds. As costs go down, the net return of funds will increase and it will make mutual funds a more attractive option for investors. Also, due to the changes in the fee structure, the gap between the regular and direct scheme would narrow further. The mutual fund industry will continue with its growth momentum.

Source: www.amfiindia.com/www.moneycontrol.com

Non-Banking Financial Company (NBFC)

NBFCs are present in the competing fields of vehicle financing, housing loans, hire purchase, lease and personal loans. The housing finance market in India is fragmented, with 80-plus players. The big risks could come from falling real estate prices. Even if population growth has slowed down, urbanisation is witnessing steady growth. Thus demand for new houses is steady. The RBI cancelled the Certificate of Registration of 368 NBFCs in the first six months of 2018. NBFCs are under pressure recently due to fears of a liquidity crisis, high valuations and asset liability mismatches after the default of a renowned NBFC.

FinTech in India

FinTech or financial technology has become a buzzword in the financial circles. The key FinTech innovations include artificial intelligence and cognitive opportunities, blockchain and distributed ledger technology, robotic process automation and cyber security.

There is an explosion of FinTech innovation and enterprise in India. It has turned India into a leading FinTech and start-up nation in the world. Prime Minister Narendra Modi launched the Application Programming Interface Exchange (APIX), a banking technology designed to reach 2 bn people without bank accounts worldwide. The government and the regulatory authorities have worked very hard to facilitate the availability of safe and secure electronic modes of payments by strictly ensuring layers of security, both at the service providers' end and at the users' levels. Substantial awareness is also being created across the country and, in particular, in the rural areas, as regard the benefits of adopting electronic modes of payment. The announcement made by the government to provide discount on payments made through electronic modes is well received and it will lead to paper-less money in circulation. With the government's consistent efforts to promote digital services through digital India, there lies an opportunity for existing FinTech start-ups as well as potential investors.

Significant growth in capital investments, government policies and an entrepreneurial mindset make FinTech an emerging industry. This interest is likely to witness a spike with continued participation from banks and regulatory bodies. With this momentum, the transaction value for the Indian FinTech sector is likely to touch INR 5,11,000 crore in 2020, growing at a five-year CAGR of 22%, which is very impressive. The Financial

Inclusion Lab, an initiative of IIM-Ahmedabad, supported by JPMorgan and some philanthropic investors, has selected 11 FinTech innovators for mentoring and upscaling their activities and helping deepen financial penetration in the country.

Broking sector

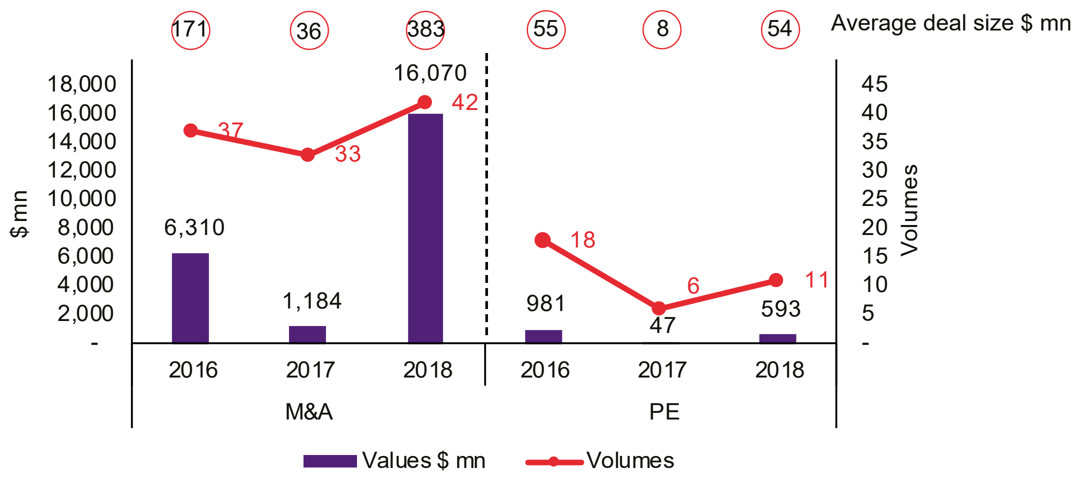
In 2018, East India Securities Limited and ICICI Securities Limited got listed on the National Stock Exchange and the Bombay Stock Exchange. There were no major regulatory changes in 2018 concerning the functioning of the stockbrokers. Since January 2018, the Indian stock market has been volatile due to the implementation of long-term capital gain tax, oil prices and various political and global parameters.

The financial services sector has witnessed a year of good, innovative and challenging times. Further, Ind AS, the new set of accounting standards, have become effective 01 April 2018, resulting in a new financial reporting framework in case of some financial service entities. On 11 October 2018, the Ministry of Corporate Affairs published Division III of Schedule III, general instructions for the preparation of financial statements of an NBFC that is required to comply with the Indian Accounting Standards. This could significantly impact the manner in which the net worth and profitability are currently determined. GST for the the financial services sector is a major transformation as it has an impact on the financial products, the IT system and processes and marks a shift from centralised compliance to state-wise compliance. 2018 was a mixed year for financial services, with political upheavals and numerous regulatory changes.

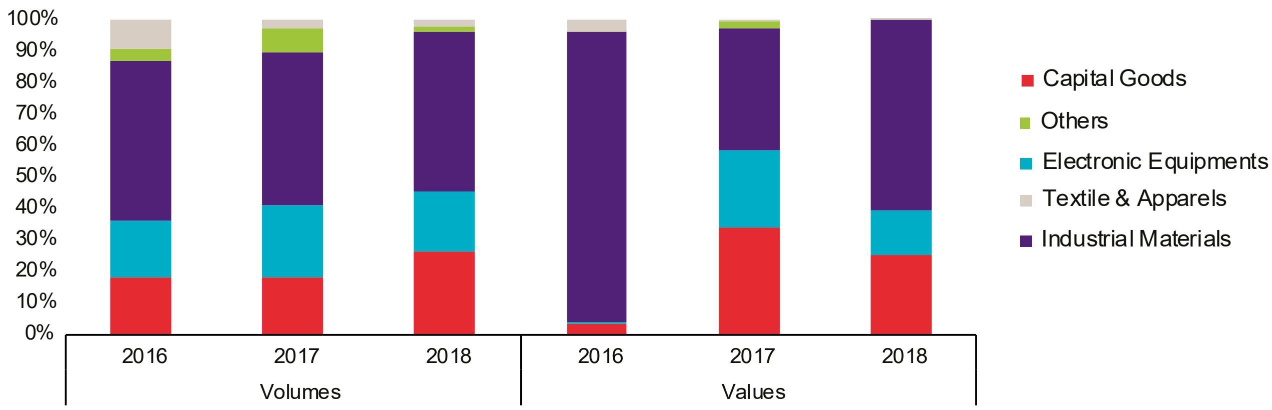
Khushroo Panthaky
Chartered Accountant
Mumbai

Manufacturing

Yearly trend



Sub-sector classification



Top M&A deals

These top five deals accounted for 78% of the total sector deal values

Acquirer	Target	Sub-sector	$mn	% stake
Tata Steel Ltd	Bhushan Steel Limited	Industrial materials	5,515	73%
Hindalco Industries Ltd - Novelis Inc	Aleris Corporation	Capital goods	2,580	100%
Schneider Electric SA	Larsen & Toubro Ltd - Electrical and automation business	Electronic equipment	2,121	100%
UltraTech Cement Ltd	Century Textiles and Industries Ltd - Cement Business	Industrial materials	1,306	100%
UltraTech Cement Ltd	Binani Cement Limited	Industrial materials	1,068	100%

Top PE deals

These top deals accounted for 92% of the total sector values

Investor	Investor	Sub-sector	$mn	% stake
Fairfax India Holdings Corporation	Sanmar Chemicals Group	Industrial materials	194	13%
India Resurgence Fund	Archean Chemical Industries Pvt Ltd	Industrial materials	156	N.A.
Mithril Capital, Blume Ventures and angel investors	Grey Orange Robotics Pvt Ltd	Electronic equipment	140	N.A.
Premji Invest	Gold Plus Glass Industry Limited	Industrial materials	58	N.A.

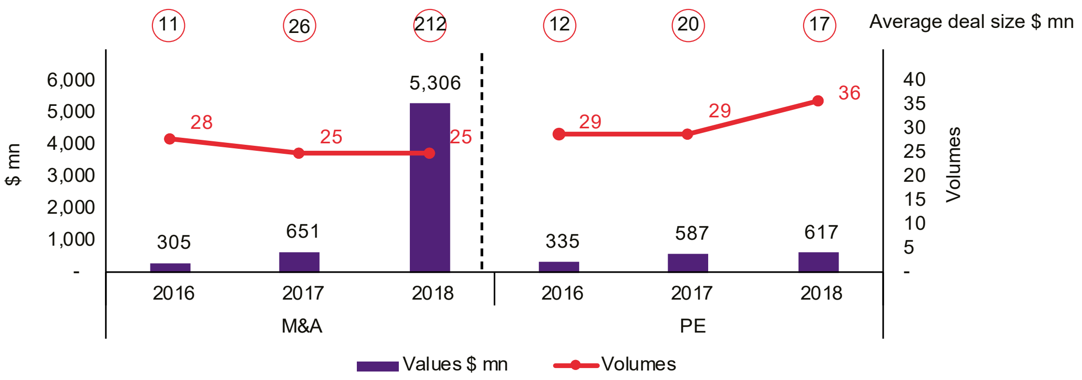
Expert speak

In 2018, deals in the manufacturing sector emerged with strong growth on the M&A front. However, the overall value of deals executed fell from $7,291 mn in 2016 to $1,232 mn in 2017 primarily due to transitional dynamics during the implementation of GST. The value of deals executed in 2018 was $16,663 mn, indicating strong growth. Further, publicly available reports indicate that the manufacturing sector currently accounts for c.16% of India's GDP, which is expected to increase to c.25% by 2022. This positive outlook of the manufacturing sector coupled with the government's growth-oriented measures has stimulated robust domestic deal activity during the year. A chronological segmentation of deals in the year, indicates that while the first half of 2018 saw relatively greater traction in the sector, a holistic growth of the sector is anticipated in the years going forward with impetus on developing industrial corridors and smart cities. Further, IBC is anticipated to impute momentum to the sector's performance, as witnessed in Tata Steel's acquisition of Bhushan Steel in May 2018.

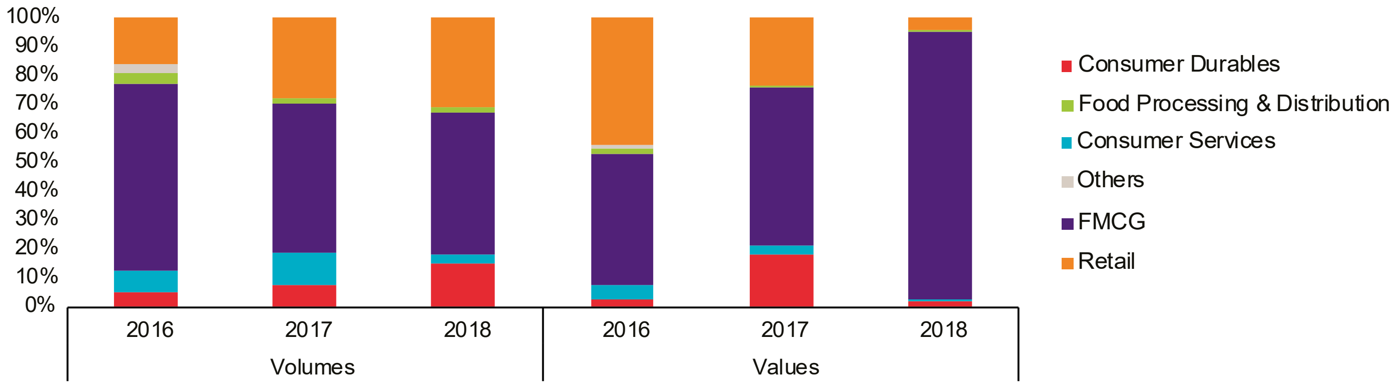
Gautam Dayaldasani
Director
Grant Thornton India LLP

Retail and consumer

Yearly trend



Sub-sector classification



Top M&A deals

These top five deals accounted for 98% of the total sector deal values

Acquirer	Target	Sub-sector	$mn	% stake
Hindustan Unilever Ltd	GlaxoSmithKline Consumer Healthcare Limited	FMCG	4,500	100%
Cadila Healthcare Ltd - Zydus Cadila	Heinz India Private Limited	FMCG	629	100%
Reliance Brands Ltd	Rhea Retail Private Limited	Retail	30	100%
Whirlpool of India Ltd	Elica PB India Pvt Ltd	Consumer durables	24	49%
Prataap Snacks Ltd	Avadh Snacks Private Limited	FMCG	21	80%

Top PE deals

These top five deals accounted for 31% of the total sector values

Investor	Investee	Sub-sector	$mn	% stake
Sofina and Sequoia Capital India	B9 Beverages Pvt Ltd - Bira 91	FMCG	50	N.A.
JZ International	Godrej Consumer Products Ltd - Godrej Consumer Products UK Ltd	FMCG	45	N.A.
IIFL Special Opportunities Fund	Bikaji Foods International Ltd	FMCG	38	N.A.
Lighthouse Advisors Pvt Ltd	Aqualite Industries Pvt Ltd	Retail	35	N.A.
Oman India Joint Investment Fund	Stanley Lifestyles Ltd	Consumer durables	24	26%

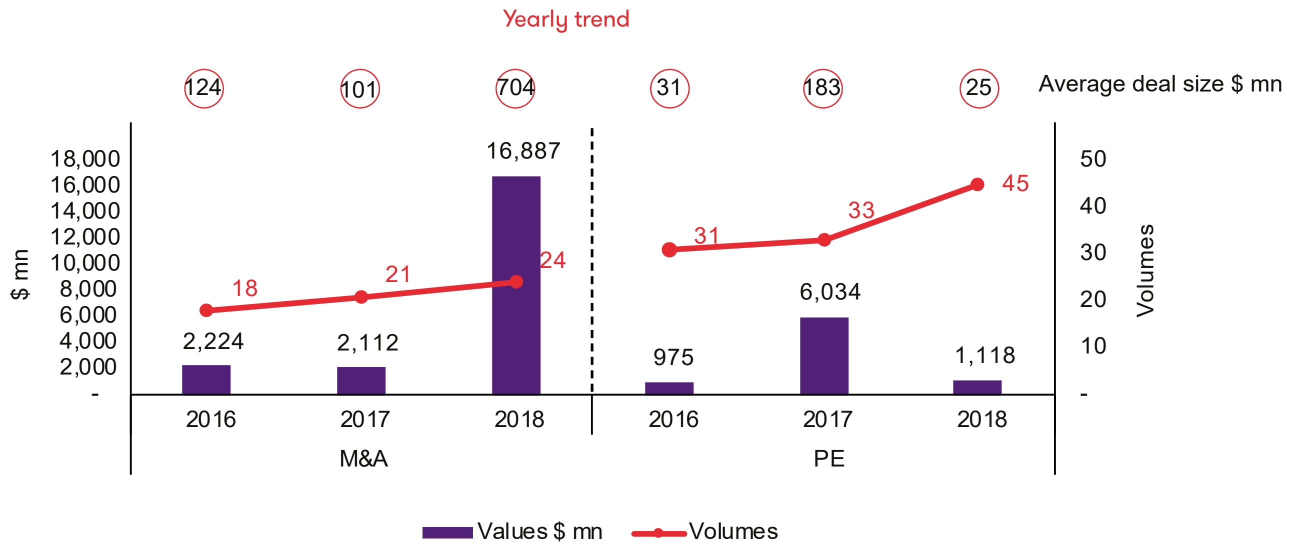
Expert speak

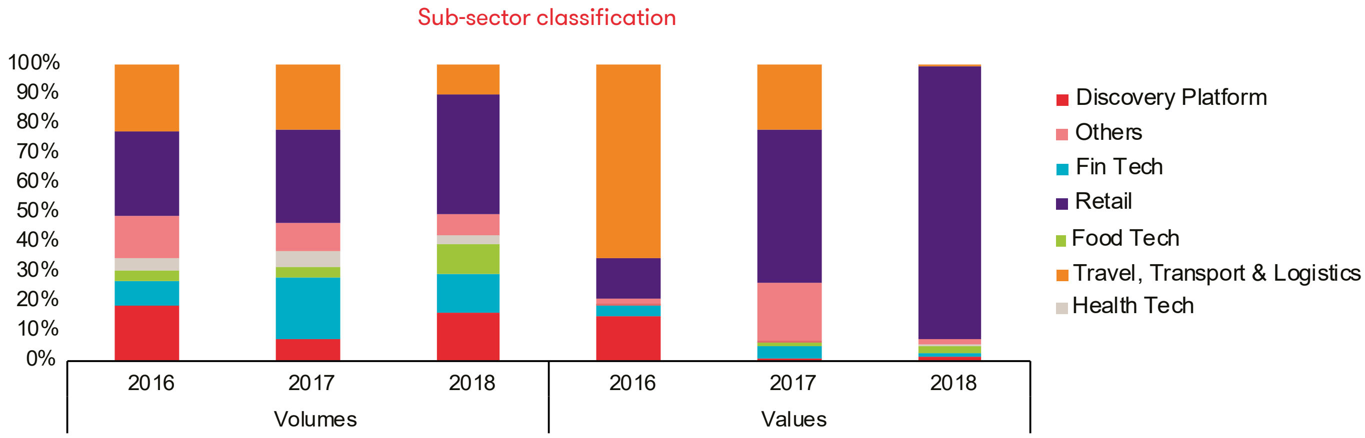
Stabilisation of GST, increasing digital penetration, cashbacks and discounts, Ikea's India entry, Walmart's acquisition of Flipkart at $16 bn, Swiggy's valuation of $3.3 bn and the updated FDI policy were some of the significant events in the retail industry in the year gone by. The INR 50 tn industry as of 2017 is pegged to grow at a CAGR of 13.5% to reach INR 94 tn in 2022. This journey of growth is expected to witness consolidation in both e-commerce and brick and mortar retail, conversion of unorganised market-share to organised businesses and application of cutting-edge technology to enhance customer experience, create differentials and gain competitiveness.

US-China trade wars present an opportunity not only for Indian businesses but also for global brands to keenly look at venturing into the country. The regulators would also have their tasks cut out with the recent updated FDI policy being the first of many expected to safeguard the interest of consumers, exchequer and smaller businesses.

Rahul Kapur
Partner
Grant Thornton India LLP

E-commerce





Top M&A deals

These top five deals accounted for 99% of the total sector deal values

Acquirer	Target	Sub-sector	$mn	% stake
Walmart Inc	Flipkart Online Services Pvt Ltd	Retail	16,000	77%
Berkshire Hathaway Inc	One97 Communications Ltd - Paytm	Others	300	N.A.
Alipay Singapore Holdings Pte Ltd	Zomato Media Pvt Ltd	FoodTech	210	N.A.
Ant Small and Micro Financial Services Group	Zomato Media Pvt Ltd	FoodTech	200	18%
Future Lifestyle Fashions Ltd	Koovs Plc	Retail	21	30%

Top PE deals

These top deals accounted for 69% of the total sector values

Investor	Investee	Sub-sector	$mn	% stake
Alibaba Group Holding Ltd, Sands Capital, International Finance Corp and Abraaj Capital	Innovative Retail Concepts Pvt Ltd - BigBasket.com	Retail	300	N.A.
SoftBank Vision Fund and InfoEdge India Pvt Ltd	PolicyBazaar - eTechAces Marketing and Consulting Pvt Ltd	FinTech	200	9%
TPG Growth, Stripes Group, Network 18, Accel Partners and SAIF Partners	Big Tree Entertainment Pvt Ltd - BookMyShow	Discovery platforms	100	N.A.
TPG Capital, Goldman Sachs, Jungle Ventures, Bessemer Venture Partners and Helion Ventures	Home Interior Designs E-Commerce Pvt Ltd - Livspace	Retail	70	N.A.
Sailing Capital and China - Eurasian Economic Cooperation Fund	Olacabs.com - ANI Technologies Pvt Ltd	Travel, transport and logistics	50	1%
Composite Capital	ClearTax - Defmacro Software Pvt Ltd	FinTech	50	N.A.

Expert speak

The e-commerce sector in India turned out to be a favourite of dealmakers in 2018. The acquisition of Flipkart by Walmart, Warren Buffet's Berkshire Hathaway picking up a stake in Paytm and, more recently, Swiggy raising 1 bn dollars is simply their endorsement of the massive opportunity that the country offers. The sector has shown a steady upward trend in terms of both the volume and the value of deals across all sub-sectors. According to a Morgan Stanley report, the sector is expected to grow to $200 bn by 2026. Driving the growth thus far, start-ups in the sector will continue to create value with innovative products, services and delivery models to cater to the next 500 mn Indians in tier 2 and 3 cities.

On 26 December 2018, the Ministry of Commerce and Industry notified changes in FDI rules for the e-commerce sector that amongst other things prohibit in-house sellers, deep discounts and exclusive product listings, to provide a level playing field for smaller domestic players. Currently, Department of Industrial Policy and Promotion (DIPP) is working on a new draft policy (updating its August 2018 draft) for e-commerce

The impact of the regulations, as well as online-to-offline integration strategies in the light of inconsistent profits, will determine the course for the sector in 2019 and continue to create more deal opportunities.

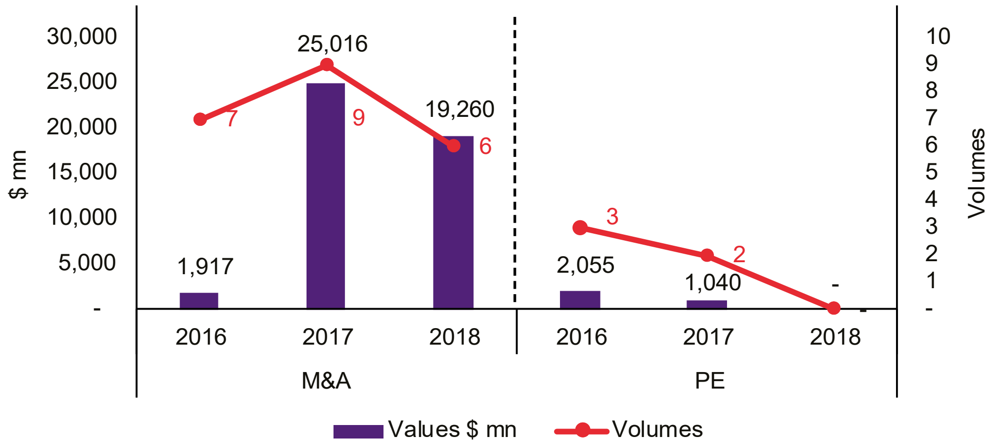
While currently e-commerce businesses are built on models and offer solutions that were developed elsewhere in the world, the real opportunity in this sector lies in innovating for the unique Indian peculiarities - to simplify and improve the life of the public. It is only a matter of time before someone does that.

Kovid Chugh
Director
Grant Thornton India LLP

Sectors attracting big ticket deals

Telecom

Yearly trend



Expert speak

Since the entry of Reliance Jio in October 2016, the Indian telecom industry has gone through a phase of unprecedented disruption. The significant hit on the ARPUs, revenues and profitability, and erosion of market share, have been responsible for the spate of transactions witnessed in the industry over the past couple of years. The transactions include the Vodafone-Idea deal and the merger of marginal players like Telenor, Tikona and Tata Teleservices with Bharti Airtel. Reliance Communications, on the other hand, sold its operations to Reliance Jio. The telecom infra sector also witnessed consolidation when Indus and Bharti Infratel merged to form the world's second largest tower company. The consolidation in the industry has now reduced the industry to a 3+1 player market.

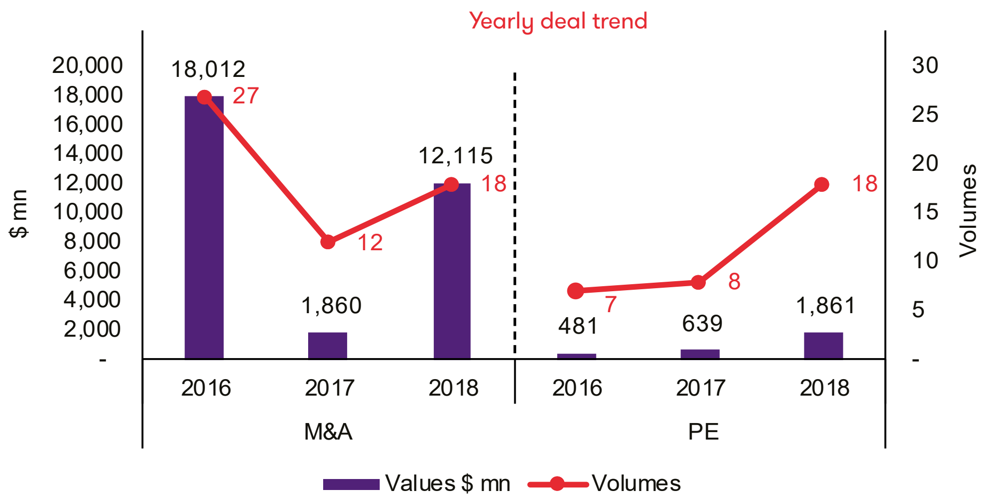
The disruption in the industry has also affected the valuation of telecom companies severely. The valuation for these telecom companies has more or less halved, which is evident from a study of the P/BV ratios from December 2017 to December 2018 for listed telecom players like Idea, Bharti Airtel and Bharti Infratel.

However, despite the short-term pain, the future of the telecom industry looks promising because of the following factors:

- There are three telecom operators to cover a market of 1.3 bn customers where the mobile and data penetration is less than two-third and one-third respectively.
- Consolidation has left all three players with a good amount of spectrum to increase and improve their services for the subscribers. However, this will require significant capex (capital expenditure) by the incumbents to make the spectrum 4G ready.
- The increasing affordability of smartphones along with the telecoms offering bundled services (ie combination of voice and data services) at a low price has resulted in an exponential growth of data usage by Indian subscribers. The operators are trying to benefit from this trend by providing content along with these bundled plans. For example, Bharti Airtel, through Airtel Thanks, has started providing content from Netflix, Amazon Prime, Zee5 and other such video and music streaming sites on their network. This will enable the telecoms to not only increase the ARPU on account of more data usage but also reduce the customer churn. This trend is also in line with the practices in international telecom markets where operators like Optus and Telstra in Australia are offering more and more of content such as rights to stream the English Premier League, sports and music and video streaming on their networks.

Manish Saxena
Partner
Grant Thornton India LLP

Energy and natural resources



Expert speak

- The Indian economy is growing at a high rate compared to other emerging economies. Energy and natural resources will continue to play a significant role due to the demand for oil and gas, and power and metal ores. A nation's wealth and strategic interests are coupled with the access and control over this segment. M&A and PE transactions have helped narrow the gap in domestic demand and also encourage growth.
- While domestic M&A and PE investments were the flavour of 2018, specifically in the oil and gas and CleanTech sectors, the focus, going forward, will be more on clean energy and technologies associated with green energy since environment issues have gained importance. One can envisage a little more action in cross-border transactions from India, with interest in oil and gas assets, including lithium ion resources to fuel the economic growth, as well as progress towards green energy.

Sridhar V
Partner
Grant Thornton India LLP

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2017

AION Capital Partners

Private equity investment

GE Capital GE Money

Plutus Financials

$115 mn
Financial services
FMCG

Exclusive advisors to Plutus

2017

WNS Extending Your Enterprise

acquired

Value Edge

$20 mn
Healthcare-focused
KPO

Exclusive advisors to Value Edge

2016

Suprajit

acquired

Wescon Controls

$44 mn
Automotive

Exclusive financial advisora to Suprajit

2015

GIC

invested in

vatika creating lasting value

$25 mn
Real estate

Advisors to Vatika

2014

Multiples

acquired

Livpure

$18 mn Consumer Durables

Exclusive advisors to Livpure

2014

SBS Group For Your Dreams.

acquired

Transpole

$72 mn
Logistics

Advisors to Transpole

2014

INOX Live the Movie

acquired

Satyam Cineplexes

$40 mn
Media

Exclusive advisors to Inox

2013

TPG Pace Energy

invested in

Sutures India protecting lives

$23 mn
Health care

Advisors to Sutures

Select transaction advisory credentials

2017

GRUPO BIMBO

acquired majority stake in

Advisors to Harvest Gold

Undisclosed
FMCG

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2017

Hi-Tech Gears Ltd.

Leveraged buyout of
Teutech

Acquisition financing by
Integrated asset management

Exclusive advisors to Hi-Tech
$45 mn
Manufacturing

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2017

InvAscent
India Life Science Fund II
Private equity Investment

ENALTEC
Chemistry Applied

Exclusive advisors to Enaltec
$14 mn
Pharma

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2017

TATA CAPITAL
Tata Capital Healthcare Fund
Private equity investment

Konverge

Exclusive advisors to Konverge
$3 mn
Pharma

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2017

Berger

Acquisition of

SABOO COATINGS

Exclusive Advisors to Saboo Coatings
$13 mn
Chemicals

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2017

Cinépolis

Acquisition of

spice

Exclusive advisors to Cinepolis
Undisclosed
Media and entertainment

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2017

NIPPON PAPER GROUP

Plus Paper Foodpac Ltd.

Acquisition of Plus Paper Foodpac Ltd
Financial due diligence
$16 mn

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2017

JSW Cement

SHIVA Shiva Cement Ltd.

Acquisition of Shiva Cement Ltd
Financial due diligence
$47 mn

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Select transaction advisory credentials

2017	2017	2017	2017
Mahindra medwellventures	Cp India Senior housing LLC serene Senior Living	BlackRock Techfront beyond boundaries	Christiani & Nielsen Gammon
PE investment in Medwell Ventures Private Ltd Undisclosed	PE investment in Serene Senior Care Private Ltd Financial due diligence Undisclosed	Fundraising Financial due diligence Undisclosed	Acquisition Financial due diligence Undisclosed
Grant Thornton An instinct for growth	Grant Thornton An instinct for growth	Grant Thornton An instinct for growth	Grant Thornton An instinct for growth

2018	2018	2018	2018
Ramesh Hospitals Sanghamitra Hospital	Muthoot Finance Belstar Investment and Finance Private Limited	Comstar Blackstone	HCG adding life to years
Strategic acquisition of Sangamitra Hospital Undisclosed	Strategic acquisition of Belstar Investment and Finance Private Limited Undisclosed	Strategic disposal Undisclosed	Strategic acquisition of City Cancer Centre Undisclosed
Grant Thornton An instinct for growth	Grant Thornton An instinct for growth	Grant Thornton An instinct for growth	Grant Thornton An instinct for growth

Select transaction advisory credentials

2018

Strategic acquisition
Undisclosed

2018

Investment in I Nurture
$4.2 mn

2018

City cancer centre

Private equity investment

2018

Strategic acquisition

$4.9 mn

2018

Sell side advisors to Currents Retail

Undisclosed

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Vishesh C Chandiok,
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