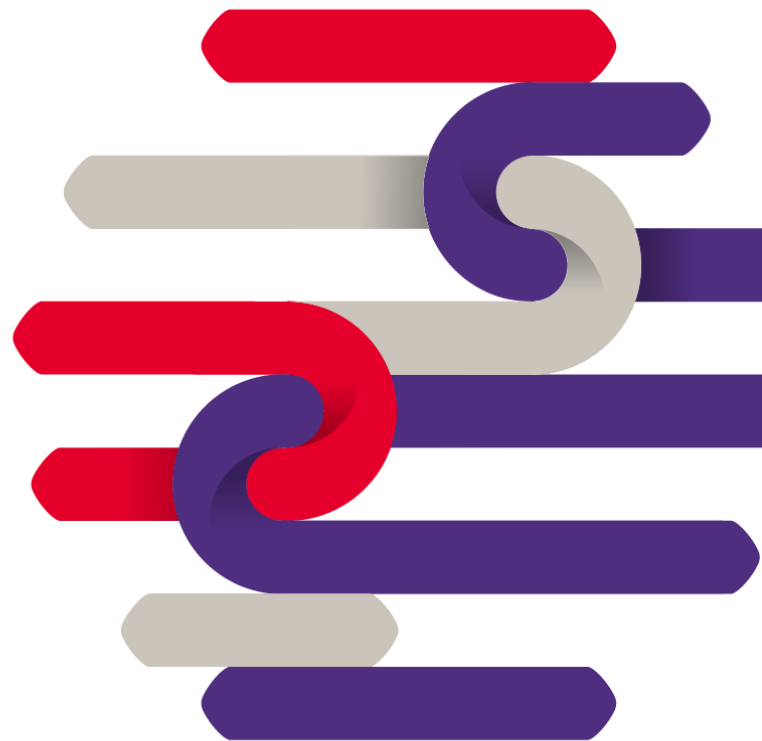


Dealtracker

Providing M&A and PE
deal insights

Half-yearly issue (H1 2021)

Volume 17.6



Disclaimer

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

Please note that the criteria used to define Indian start-ups include a) the company should have been incorporated for five years or less than five years as at the end of that particular year and b) the company is working towards innovation, development, deployment and commercialisation of new products, processes or services driven by technology or intellectual property. Deals have been classified by sectors and by funding stages based on certain assumptions, wherever necessary

Author

Monica Kothari

Key highlights



Shanthi Vijetha

Partner, Growth
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Macroeconomic indicators in H1 2021 sent out mixed signals. On one hand, the ongoing vaccine rollout instilled confidence in many economies to gradually reopen, whereas substantial fiscal support, particularly in the United Kingdom (UK) and the United States of America (USA), supported a significant spike in economic activity. On the other hand, the Reserve Bank of India (RBI) expects domestic GDP to grow at 9.5% (lower from the previous estimate of 10.5%) for FY22 on the expectation of a rise in inflationary risks due to the second wave of the pandemic which has led to restricted economic activities. However, resilience in the agriculture sector and rural demand, forecast of a normal south-west monsoon coupled with improving global economic recovery is expected to aid domestic growth recovery.

Deal numbers set new records in H1 2021 by reporting the highest deal volumes for the six-months period (in both H1 and H2) witnessed in any given year, which was triggered by the highest number of private equity (PE) deals in any given year for such period. H1 2021 reported 856 transactions aggregating to USD 43 billion. This translated to a significant 42% growth in the deal volumes and a 20% increase in the deal values compared to H1 2020. The impact of the second wave was witnessed to be different to the first wave as the intensity of restrictions was lower and overall businesses adapted much better to the situation in light of the experience from the first wave. Both mergers and acquisitions (M&A) and private equity (PE) transactions witnessed increase in both deal volumes and aggregate values during the year compared with H1 2020. So, deal activity remained optimistic on the back of the expected revival in corporate earnings, high liquidity and lower rates and supportive global sentiment.

M&A deals improved both in terms of volumes with a strong 36% growth in H1 2021 over H1 2020 and deal values by 34%. The numbers show that the deal activity has not been impacted much by the second wave of the pandemic as the deals rose from 163 (lowest six-month figure) to 221 aggregating to USD 24.4 billion. This surge in the deal activities was driven by domestic consolidations accounting for 76% of the total volumes and 23 high-value deals valued over USD 100 million each aggregating to 90% of deal values. This deal sentiment was on the back of strategic investors favouring entrenched players and market leaders to tide over the pandemic-induced stress through distressed rescues, bridge financings and equity infusions. While M&A in Q1 2021 kicked off with two multi-billion-dollar deals and seven deals valued over USD 100 million providing an impetus for deal activity, Q2 saw five and nine such deals in the respective category. The trend witnessed so far marked big-ticket marquee transactions at pre-covid level. In contrast, cross-border deal volumes were lowest in the last decade on the back of covid induced general

uncertainty, travel restrictions and domestic markets first approach.

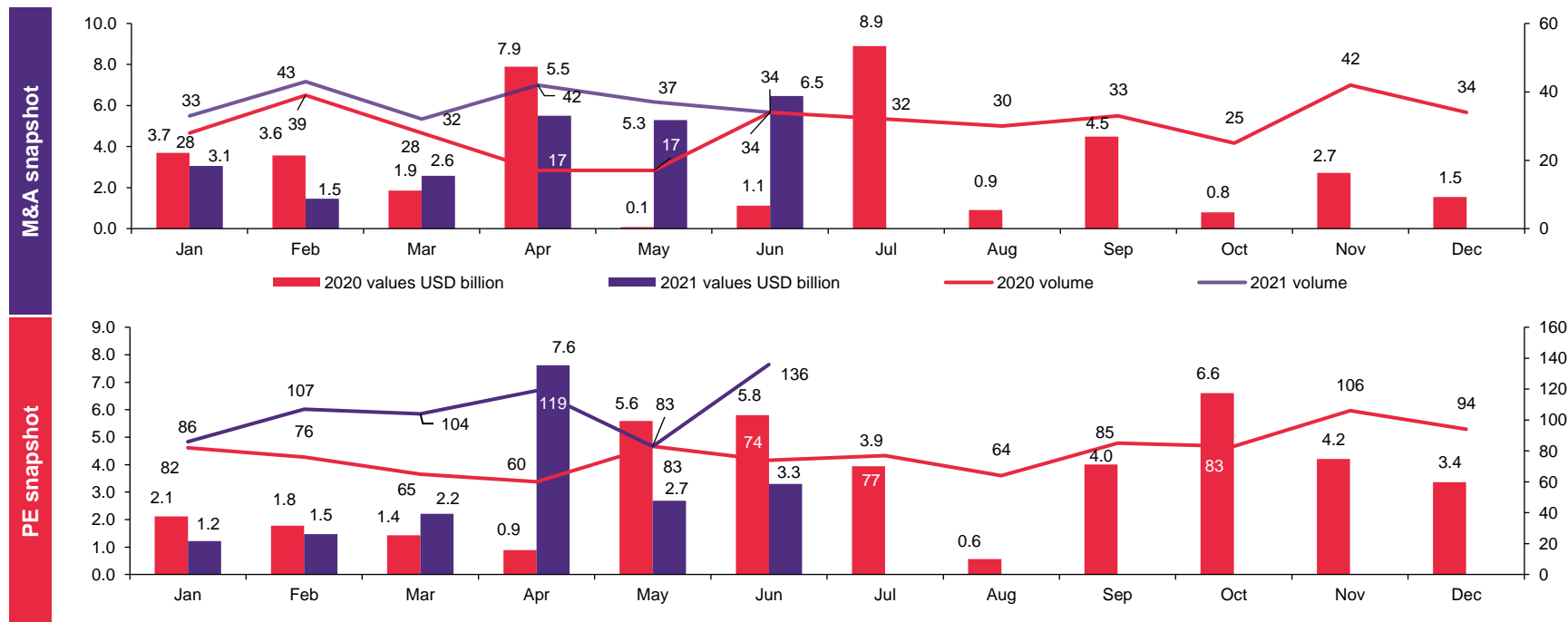
The continued interest of PE investors in Indian companies has been visible in the new peaks with the year recording 635 PE deals, setting the record for the highest six-monthly figure recorded in the last decade. Deal values held steady at USD 18.5 billion, while more than in all previous years, (since 2011). As the COVID-19 pandemic hit many businesses across sectors, it gave an opportunity for investors to cherry-pick businesses with strong fundamentals and growth potential, especially in start-up space due to their propensity to innovation, flexibility and adaptability.

COVID-19 has accelerated multiple trends, including digital transformation, convergence of emerging tech, increase of online touch points, emergence of direct-to-consumers (D2C) players, adoption of remote working and a focus on healthier living thereby witnessing increased transactions in these segments. Digital transformation, which is leading companies to move into a digital business model to stay competitive by adopting newer technologies, had led to increase in deal activity across tech savvy sectors. In absolute terms, IT and ITeS and start-up/e-commerce sectors were the largest sectors in terms of deal volumes during the year. Consumer tech investments were driven by accelerated growth in digital channels and a spike in user adoption of on-demand, at-home cross-tech services. This led to a deal surge in edtech, fintech, verticalised e-commerce, and foodtech, with big-ticket investments in Bigbasket, Byju's, Swiggy, sharechat, FirstCry and cred. Pharma and healthcare, transport and logistics and media and entertainment sectors also witnessed traction during the year recording high value deals. Apart from covid-induced growth sectors, core sectors like energy, banking and manufacturing sectors witnessed a surge with big-ticket deals in clean tech, financial services and industrials materials space.

Normalisation in economic activity is expected to continue in the coming quarters as the vaccination drive gathers momentum and pent-up consumption demand drives growth. In addition, government's focus on manufacturing and infrastructure sectors bodes well for structurally sustainable growth of the economy. While 2020 saw several trends accelerate steeply during the pandemic, during H1 2021 there was a dual focus on the immediate economic recovery alongside increased focus on sustainability. Corporate acquirers and private investors have set a blistering pace for megadeals and with companies exploring business opportunities by means of acquisitions, divestitures and funding, deal activity in the second half of 2021 is expected to remain strong.

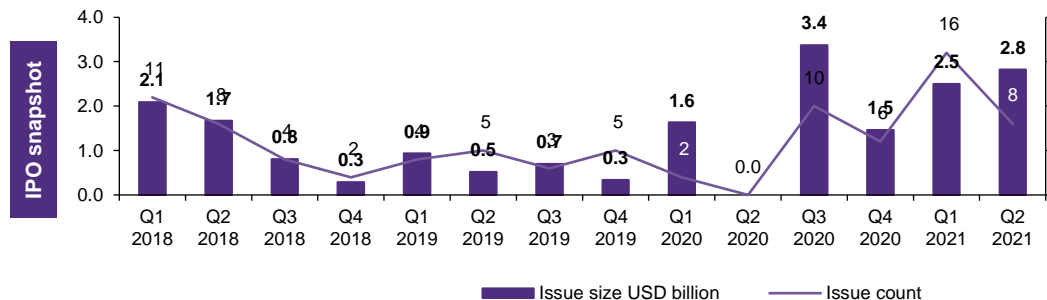
Deal snapshot

H1 2021 recorded 856 deals aggregating to USD 42.8 billion with average deal size of USD 50.0 million



High IPO and QIP volumes

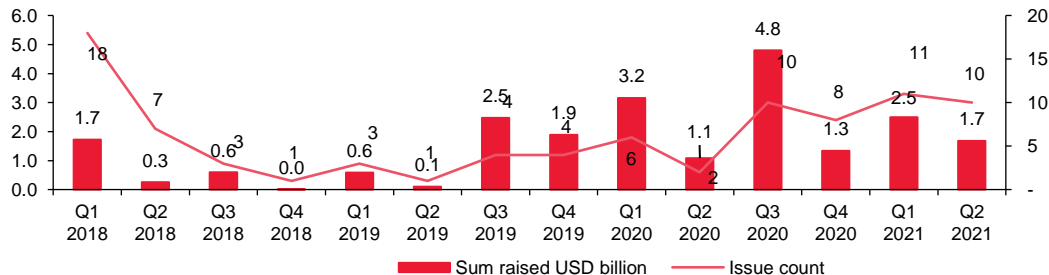
H1 2021 saw USD 5.3 billion from 24 IPOs, the second highest H1 volumes and values recorded since 2011



- In contrast to H1 2020 that witnessed lowest Initial Public Offerings (IPOs) (12 IPOs worth USD 5 billion) due to uncertainty around the COVID-19 pandemic, H1 2021 has witnessed high momentum in the Indian capital (24 IPOs worth USD 5.3 billion).
- Manufacturing, agriculture and forestry, and real estate sectors were the most active sectors in the number of IPOs with five IPOs in the manufacturing sector and three each in the other sectors.
- POWERGRID Infrastructure Investment Trust InvIT from the real estate sector was the largest, with an issue size of USD 1.1 billion.
- With SEBI easing norms for start-up companies, minimum public offer and required public shareholdings for large issuers, the Indian IPO market is expected to keep the momentum going.

H1 2021 saw 21 companies raising USD 4.2 billion, highest volumes since H1 2018

- QIP snapshot**
- Institutions have taken to investing in QIPs in a big way, the volume of 21 is the highest since H1 2018. However, the overall funds raised stand at USD 4.2 billion in H1 2021 similar to H1 2019.
 - H1 2021 witnessed 2.6 times increase in the number of fund raises via this route compared to H1 2020. The fund raising was fueled by strong liquidity inflows, robust Qualified Institutional Placements (QIPs) by banks and other financial institutions.
 - In H1 2021, one-third of the fund raises were witnessed in the banking sector followed by pharma and real estate sectors that saw three fund raises each.
 - Bank of Baroda's USD 0.6 billion fund raise topped the list followed by Godrej Properties Ltd.'s USD 0.5 billion.



Big ticket M&A transactions and PE interest driving the volumes

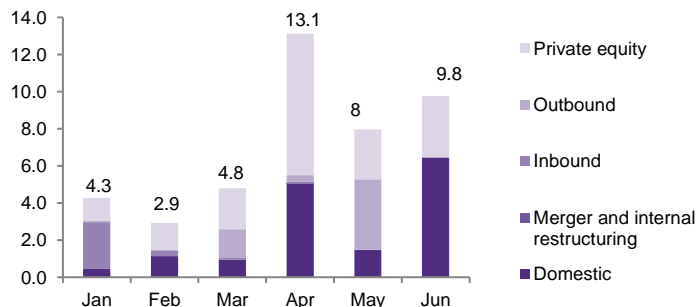
Deal summary	Volume			Value (USD million)		
	H1 2019	H1 2020	H1 2021	H1 2019	H1 2020	H1 2021
Domestic	130	93	167	12,057	7,845	15,488
Cross-border	95	66	52	5,091	10,336	8,862
Merger and internal restructuring	7	4	2	1,050	20	10
Total M&A	232	163	↑ 36% 221	18,198	18,201	↑ 34% 24,360
PE	384	440	↑ 44% 635	13,608	17,613	↑ 5% 18,471
Grand total	616	603	↑ 42% 856	31,806	35,814	↑ 20% 42,831
Cross-border includes						
- Inbound	50	30	21	3,488	9,747	3,028
- Outbound	45	36	31	1,603	589	5,834

- Prospects for the world economy have brightened but this is no ordinary recovery. It is likely to remain uneven and dependent on the effectiveness of vaccination programmes and public health policies. Some countries are recovering much faster than others.
- H1 2021 recorded 856 deals valued at USD 42.8 billion, this represented a significant 42% increase in the deal volumes both in case of M&A (35.6%) and PE (44.3%). However, values witnessed an increase of only 20%.
- The first half of 2021 saw eight deals in the billion-dollar category and 58 deals estimated and valued at and above USD 100 million each. Compared with nine and 48 such deals, respectively. These high-value deals accounted for 8% of overall deal volumes and 82% of overall deal values
- Compared with last six months (H2 2020), H1 2021 saw a strong 21% increase in deal volumes while values remained similar at USD 43 billion with marginal 2% increase.
- Core sectors including energy, banking and manufacturing, witnessed a surge in deal values with big-ticket deals in clean tech, financial services [over NPAs (non-performing assets)] and industrials materials space correspondingly. The start-up/e-commerce and IT and ITeS sectors led volumes during the year.

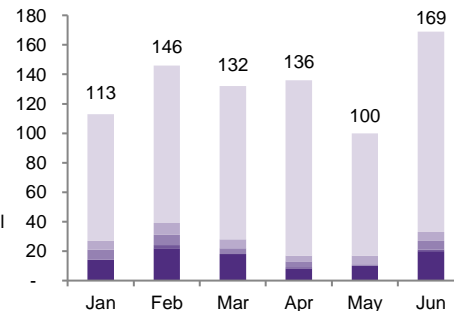
Quick facts

- The year witnessed the lowest cross-border deal volumes for the first six months of any given year owing to the lowest inbound and outbound volumes.
- Driven by domestic consolidations and big-ticket transactions, India Inc. recorded 221 deals valued at USD 24.4 billion, healthy trend given the outbreak of second wave of COVID-19.
- PE, on the other hand, saw record volumes and values (over the last 11 years) for the first six-month period with 635 deals and values aggregating to USD 18.5 billion. This was driven by record investments in start-up sector.

Total deal value spread (USD billion) – YTD 2021



Total deal volume spread – YTD 2021

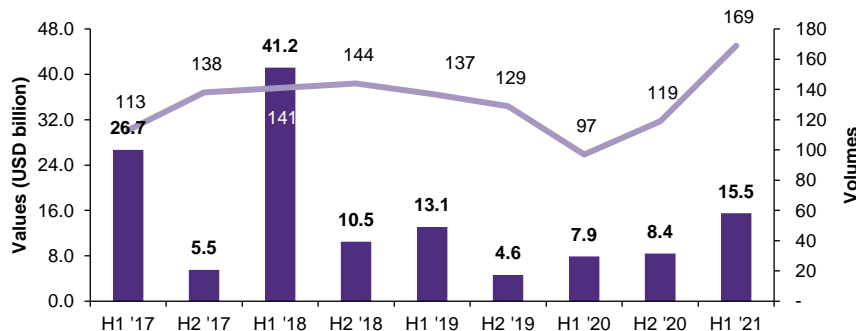


M&A dealscape

- Domestic deal snapshot
- Inbound deal snapshot
- Outbound deal snapshot
- Sector spotlight
- Top M&A deals – H1 2021
- Deals in the spotlight – H1 2021
- Outlook on M&A

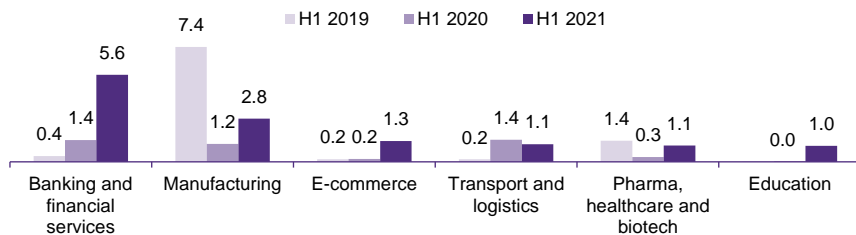
Domestic deal snapshot

Domestic deal activity witnessed the highest deal volumes in H1 over the last 10 11 years

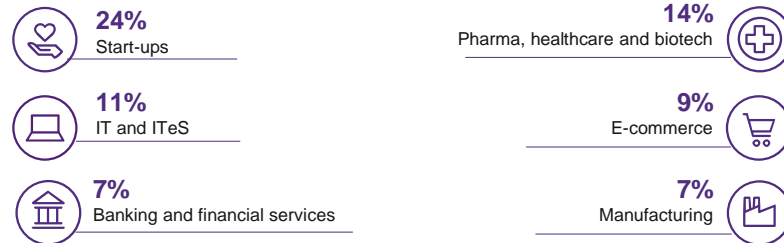


- This half year witnessed high domestic deal activity both in terms of deal values and volumes compared with the same period last year. The year so far has recorded four deals in the billion-dollar category, 12 deals valued above USD 100 million each and 31 deals valued between USD 10 million and USD 99 million together accounting for 96% of domestic deal values.
- As businesses resumed work, India witnessed a wave of consolidation in several sectors. Start-up, pharma, IT, e-commerce, banking and manufacturing, saw greater traction among other sectors. Further, insolvency related deals picked up resulting in progress on those deals.
- The year witnessed some marquee transactions with (1) Byju's acquisition of Akash Educational services (largest edtech acquisition in the world), (2) Piramal Group's acquisition of Dewan Housing Finance Corporation Limited (3) Deals under IBC (JSW Steel Ltd. - Bhushan Power & Steel; Haldia Petrochemicals - Nagarjuna Oil Corporation Limited; GMM Pfaudler Limited - HDO Technologies Limited, Prestige Estates Private Limited - Ariisto Developers Private Limited; Everenviro Resource Management - IL&FS Environmental Infrastructure and Services (one of the largest acquisitions in municipal solid waste management (MSW) in India), Adani Transmission – Warora -Kurnool Transmission, among others).

Top sectors based on deal value (USD billion)

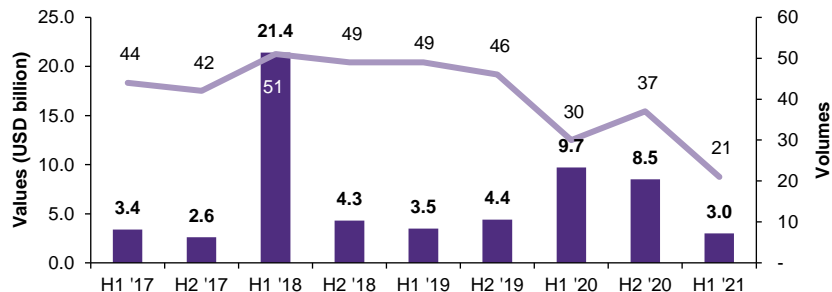


Share of top sectors by deal volume in H1 2021



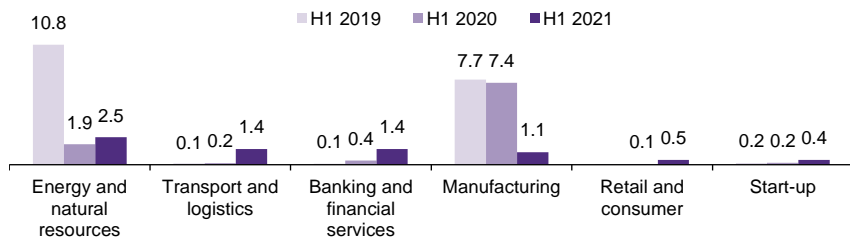
Inbound deal snapshot

Inbound deal activity witnessed the lowest deal volumes in H1 over the last 10-11 years

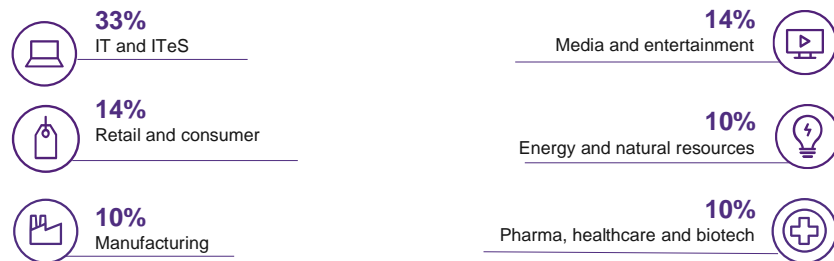


- H1 2021 inbound deal activity witnessed a decline of 30% in deal volumes compared with H1 2020 and 25% in deal values (excluding Facebook-Jio Platforms deal valued at USD 5.7 billion in H1 2020; 69% decline including this deal).
- In line with H1 2020, this year also saw the USA being the largest contributor to inbound volumes with eight deals valued at USD 190 million. However, France led the Inbound deal values driven by Total SE's acquisition of Adani Green Energy Ltd. for USD 2.5 billion also making its biggest investment yet in the renewables space.
- The year witnessed only one deal in the multi-billion-dollar category and one high value deal valued at USD 150 million. These two top deals together accounting for 87% of the inbound deal values compared with two deals in the billion-dollar category, two deals valued over USD 500 million and five deals valued above USD 100 million each in H1 2020.
- Sectors such as IT and ITeS (IT solutions), media and entertainment (Esports, digital library and marketing segments), and retail and consumer (FMCG segment) attracted overseas acquirer's attention witnessing increased deal activity, contributing to 62% of the total inbound deal volumes, while telecom and infra sectors attracted large-ticket investments.

Top sectors based on deal value (USD billion)

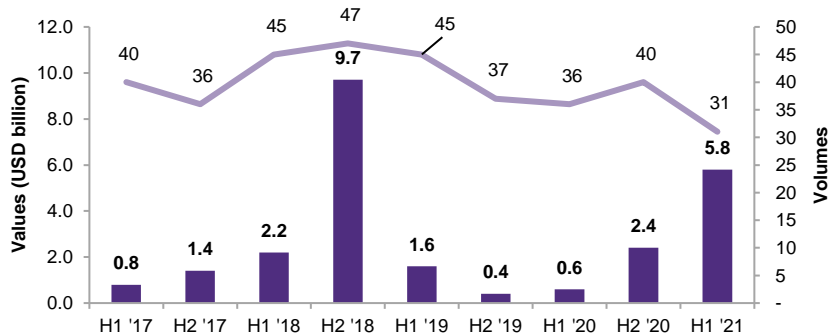


Share of top sectors by deal volume in H1 2021



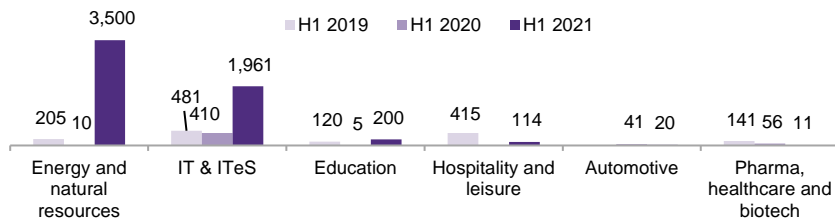
Outbound deal snapshot

Outbound deals recorded the lowest deal volumes and the highest deal values in H1 over the last 11 years



- The outbound deal activity saw only 31 deals in H1 2021, marking the lowest deal volumes for the six-month period since 2011. This decline can be attributed to the domestic businesses adapting to operating in the new normal and focusing on business continuity in light of the second wave of the COVID-19 pandemic.
- Deal values were high driven by two multi-billion-dollar acquisitions by Adani Group and Wipro Ltd. These two high value deals aggregated to USD 5 billion, accounting for 85% of the total M&A outbound values. Further, the segment recorded three deals valued over USD 100 million and 10 deals valued between USD 10 million and USD 99 million.
- H1 2021 saw majority of the Indian companies betting on technology companies, followed by hospitality and leisure, manufacturing and media & entertainment sectors which witnessed maximum activity together contributing to 81% of the total outbound deal volumes.
- The USA and the UK were the largest recipients of the investments, accounting for 96% of the outbound deal values. The USA, the UK, Netherland and Germany were top destinations in terms of volumes.

Top sectors based on deal value (USD million)

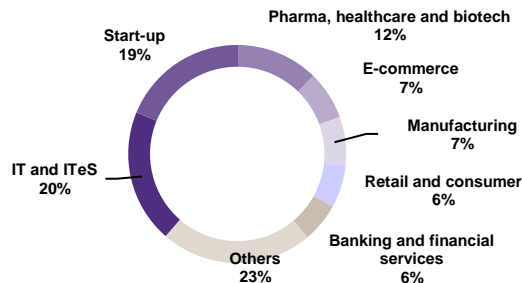


Share of top sectors by deal volume in H1 2021

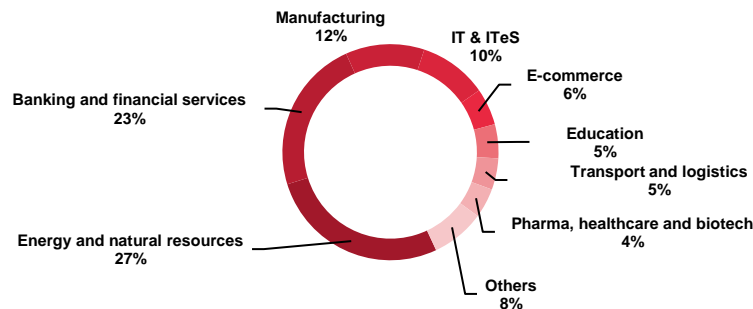


Sector spotlight

Top sectors based on deal volume



Top sectors based on deal value



Notable sector trends

- Driven by Total SE's USD 2.5 billion worth stake acquisition in Adani Green Energy, the energy and natural resources sector accounted for 27% of total M&A deal values for the year. This deal also marked the biggest investment yet by Total SE in renewables segment. The sector also witnessed other deal activity with the Odisha government, which holds 51% stake in Odisha Power Generation Corporation, exercising its Right of First Refusal (RoFR) to purchase the 49% stake held by AES and Haldia Petrochemical's acquisition of Nagarjuna Oil Corporation Limited under IBC.
- In line with last year, IT sector led the M&A deal volumes at 20%. The IT solutions and software development space dominated the deal activity within the sector with 33 of the 44 deals valued at USD 2.3 billion. The year witnessed the acquisition of Capco by Wipro for USD 1.5 billion, marking the second-largest acquisition in recent years by an Indian IT services company and by far the largest-ever acquisition made by Wipro.
- The year also saw JSW Steel's acquisition of Bhushan Power & Steel Ltd. for USD 2.7 billion under IBC thereby driving the manufacturing sector deal value to USD 2.9 billion.
- USD 1 billion Byju's acquisition of Aakash Educational Services was one of the largest edtech acquisitions in the world.

Key sectors

Notable sectors	Volume	Value (USD million)
IT & ITeS	44	2,494
Start-up	42	263
Pharma, healthcare and biotech	27	1,082
E-commerce	16	1,344
Manufacturing	16	2,876
Banking and financial services	13	5,619
Energy and natural resources	12	6,615

Top M&A deals – H1 2021

Top 10 M&A deals accounting for 5% of M&A deal volumes, constituted 78% of the total M&A deal values in H1 2021

Acquirer	Target	Sector	USD million	Deal type	% stake	Domestic / Cross-border
Piramal Capital & Housing Finance Limited	Dewan Housing Finance Corporation Limited	Banking and financial services	5,103	Acquisition	100%	Domestic
Adani Green Energy Ltd.	SB Energy India	Energy and natural resources	3,500	Acquisition	100%	Outbound
JSW Steel Ltd.	Bhushan Power & Steel Ltd.	Manufacturing	2,651	Acquisition	100%	Domestic
Total SE	Adani Green Energy Ltd.	Energy and natural resources	2,476	Minority Stake	20%	Inbound
Wipro Ltd.	Capco	IT & ITeS	1,450	Acquisition	100%	Outbound
Tata Digital Private Limited	Supermarket Grocery Supplies Private Ltd.- Innovative Retail Concepts Pvt. Ltd. - BigBasket.com	E-commerce	1,257	Controlling Stake	64%	Domestic
Think & Learn Pvt. Ltd.- Byju's	Aakash Educational Services Ltd.	Education	1,000	Acquisition	100%	Domestic
Docon Technologies Pvt. Ltd.	Thyrocare Technologies Ltd.	Pharma, healthcare and biotech	623	Controlling stake	66%	Domestic
Adani Ports and Special Economic Zone Limited	Gangavaram Port Limited	Transport and logistics	494	Increasing Stake to 89.6%	58%	Domestic
Adani Transmission Ltd.	Warora-Kurnool Transmission Limited	Energy and natural resources	462	Acquisition	100%	Domestic

Deals in the spotlight – H1 2021

Piramal Capital and Housing Finance Ltd. received NCLT's approval to acquire Dewan Housing Finance Corp. Ltd. (DHFL) for USD 5.1 billion

Sector: Banking and financial services

Acquirer	Target
Piramal Capital & Housing Finance (PCHF) , wholly owned subsidiary of Piramal Enterprises Limited (the flagship company of Piramal Group), is registered as a housing finance company with National Housing Bank (NHB) and engaged in various financial services businesses. It provides both wholesale and retail funding opportunities across sectors.	Dewan Housing Finance Corporation Limited is a leading housing finance company. It has been providing easy access to affordable housing finance to realise home-ownership aspirations of millions of lower and middle-income families in semi-urban and rural India.
Rationale	
<p>The Mumbai bench of the National Company Law Tribunal (NCLT) approved a resolution plan submitted by Piramal Group, adding some conditions. Piramal Group's resolution plan, which offered INR 37,250 crore for DHFL, was approved by the committee of creditors in January with a majority.</p> <p>Piramal Group's total offer of INR 37,250 crore includes an upfront cash payment of INR 12,700 crore to the creditors, CNBC-TV18 reported earlier. Piramal Group has also offered INR 3,000 crore of cash to lenders from the interest earned on the existing cash on DHFL's books, another INR 1,000 crore for the insurance stake, and INR 1,000 additional cash for interest income after NCLT approval. This takes the total cash for the creditors at INR 17,700 crore. The remaining INR 19,550 crore is in the form of instruments payable over 10 years.</p> <p>According to sources, DHFL will be delisted, and its equity will be written down to zero as per the resolution plan. Also, the Piramal Capital and Housing Finance Ltd. (PCHF) is going to be merged into DHFL as part of the resolution plan although the Board is yet to take a call on whether the DHFL brand will be retained or not.</p>	

Adani Green Energy acquire SB Energy's 5 GW India renewable power portfolio for USD 3.5 billion

Sector: Energy and natural resources

Acquirer	Target
Adani Green Energy Limited is part of Adani Group, has one of the largest global renewable portfolios with 19.3 GW of operating, under-construction and awarded projects, and locked-in growth projects catering to investment-grade counterparties. The company develops, builds, owns, operates and maintains utility-scale grid-connected solar and wind farm projects.	SB Energy Holdings is a large utility solar, energy storage, and technology platform. The company develops, constructs, and owns and operates some of the largest and most technically advanced renewable projects across the United States.
Rationale	
<p>Adani Green Energy Limited has signed definitive agreements for 100% acquisition of the SB Energy Holdings Limited (SB Energy India). SB Energy India is a joint venture between Japan-based SoftBank Group Corp. (SBG) (80%) and Bharti Group (20%) and houses 4,954 MW of renewable assets in India.</p> <p>The transaction marks the largest acquisition in the renewable energy sector in India. The transaction values SB Energy India at an enterprise valuation of approximately USD 3.5 billion. The target portfolio consists of large-scale utility assets with 84% solar capacity (4,180 MW), 9% wind-solar hybrid capacity (450 MW) and 7% wind capacity (324 MW). The portfolio comprises of 1,400 MW operational solar power capacity and a further 3,554 MW is under construction. All projects have 25-year Power Purchase Agreements (PPA) with sovereign rated counterparties. With this acquisition, AGEL will achieve total renewable capacity of 24.3 GW (1) and operating renewable capacity of 4.9 GW. This acquisition demonstrates AGEL's intent to be the leader in sustainable energy transition globally and makes it one of the largest renewable energy platforms in the world.</p>	

Outlook on M&A



Abhay Anand

Partner, Lead Advisory
Grant Thornton Bharat LLP

Although the economy was hit by the second wave of the coronavirus pandemic in H1 2021, the confined nature of lockdowns; better adaptation of people to work-from-home protocols, online delivery models, e-commerce and digital payments were at work which moderated the economic impact of the pandemic on the Indian economy.

This led to M&A deal activity being almost unhindered and in fact saw an increase both in the deal volumes from 163 deals in H1 2020 to 221 deals in H1 2021, which is 36% higher and deal values in H1 2021 stood at USD 24.4 billion compared to H1 2020 that recorded USD 18.2 billion. However, this need to be seen in context of Facebook's and Google's investment of USD 10.1 billion in Jio Platforms Ltd. in H1 2020.

While domestic M&A dominated in terms of volumes with 76% contribution to total M&A deals during H1 2021, value wise domestic M&A contributed 64% of total M&A deals only in H1 2021.

On the other hand, cross border M&A saw a severe fall in deal volumes; contributing only 24% of the total M&A deal volumes during H1 2021 which was the lowest recorded in the first half of any of the past years starting from H1 2011. Despite that, contribution to the M&A deal values was at 36% in H1 2021 which was primarily driven by Adani Group's Acquisition of SB Energy India from Softbank Group in May of 2021.

Adani Group was one of the most active acquirers during H1 2021 having acquired 5 companies above USD 200 million value. Their acquisition of SB Energy India for USD 3.5 billion was the largest acquisition in the renewable energy sector in India, due to which energy and natural resources sector topped M&A values lead table in H1 2021.

The banking and financial services sector was trailing energy and natural resources sector by being the 2nd highest contributor to deal values during H1 2021. This was primarily driven by Piramal Group's acquisition of DHFL for USD 5.1 billion under the Insolvency and Bankruptcy Code. This was also the largest M&A deal during H1 2021.

The IT/ITeS sector witnessed the highest number of M&A deals with 44 deals in the sector amounting to USD 2.5 billion (58% higher than USD 1.6 billion in H1 2020). This was driven by Wipro's acquisition of Capco for USD 1.45 billion

Transactions in pharmaceutical space saw a steep rise in terms of volume. It grew by 50% to 27 deals in H1 2021 as compared to 18 deals in H1 2020. Deal values on the other hand also doubled from USD 564 million in H1 2020 to USD 1.1 billion in H1 2021. The largest deal in the sector was Docon Technologies Pvt. Ltd.'s acquisition of Thyrocare Technologies Ltd. for USD 623 million.

Other key developments in H1 2021 also included one of the largest edtech acquisitions in the world of Aakash Educational Services by BYJU's for USD 1.0 billion, which shows the potential of the Indian education sector primarily due to its large student demography and Tata's acquisition of India's largest e-grocery player BigBasket.com from Alibaba Group for USD 1.2 billion in the E-commerce Space

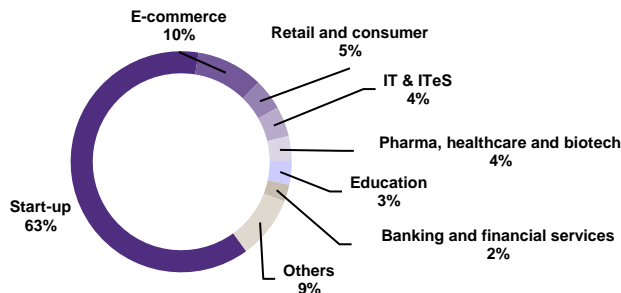
Despite the hiccups and disruption caused from COVID-19's second wave there was an increase in deal volumes in H1 2021 as compared to H1 2020, which indicates that the growth prospects of M&A activities look strong for H2 2021. Government's increased focus on the vaccination programme in India and the positive outlook of the US economy should be conducive for more deal activities in the latter half of 2021.

Private equity dealscape

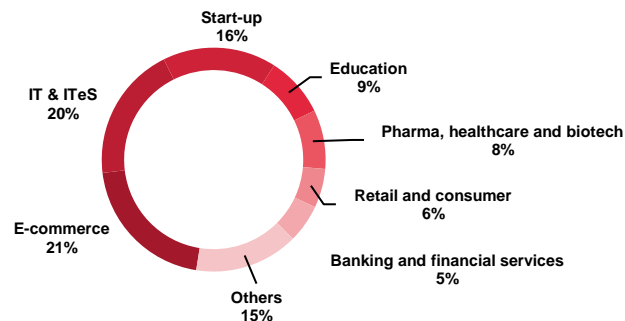
- Sector focus
- Top PE deals - H1 2021
- Deals in the spotlight – H1 2021
- Outlook on PE investments

Sector spotlight

Top sectors based on deal volume



Top sectors based on deal value



Notable sector trends

- Driven by nine deals of over USD 100 million, e-commerce led the PE investment value in H1 2021. The sector also gave birth to five unicorns out of the total 10 unicorns in 2021. These companies were the main reason for the e-commerce and start-up sectors to garner USD 6.8 billion in aggregate across 459 deals.
- The year also witnessed maiden investments by investors across start-up and e-commerce space in India like Jungle Ventures's first bet in the fintech/edtech space with investment in Leap Finance, Founder Collective's investment in Zolve Innovations, Valar Ventures' first bet in Velocity Finance followed by first investment in the insurance tech space (Turtlemint), Draper Goren Holm's investment in Kalamint and the first investment in the digital art space, Amazon's investment in Myglamm marks one of the first investments in a beauty brand.
- Apart from the above sectors, PE investors have also exhibited interest in the Indian infrastructure (Road assets), education (Digital learning), warehousing and energy (Cleantech) sectors with maiden investments by Kotak's Special Situations Fund, Xander Group and GSV Ventures in these sectors.
- H1 2021 recorded some marquee deals including, Blackstone Group's investment in Embassy Industrial Parks (one of the largest investments in the Indian logistics and warehousing segment), KKR's investment in Vini Cosmetics (marking India's largest PE-led purchase of a consumer goods company) and Dream11 Fantasy's USD 400 million fund raise (marks the largest investment in the Indian sports tech ecosystem to date).

Key sectors

Notable sectors	Volume	Value (USD million)
Start-up	397	3,036
E-commerce	62	3,805
Retail and consumer	29	1,042
IT & ITeS	28	3,612
Pharma, healthcare and biotech	23	1,578
Education	22	1,608
Banking and financial services	16	1,019

Top PE deals - H1 2021

Top 11 PE deals accounting for 2% of PE deal volumes, constituted 39% of the total PE deal values in H1 2021

Investor	Investee	Sector	USD million	% stake
Three Blackstone affiliate funds	Mphasis Ltd.	IT & ITeS	2,084	55.3%
Falcon Edge Capital, Amansa Capital, Think Investments, Carmignac, Goldman Sachs, Prosus Ventures and Accel Partners	Bundl Technologies Pvt. Ltd.- Swiggy.com	E-commerce	800	N.A.
Blackstone Real Estate	Embassy Industrial Parks Pvt. Ltd.	Transport and logistics	709	N.A.
KKR & Co.	Vini Cosmetics Pvt. Ltd.	Retail and consumer	625	N.A.
Lightspeed Venture Partners, Tiger Global, Snap Inc, Twitter and India Quotient	Mohalla Tech Pvt. Ltd.- Sharechat	E-commerce	502	N.A.
MC Global Edtech Investment Holdings LP, B Capital, Baron Global Advantage Fund, XN Exponent Holding, Arison Holdings, TCDS (India), and TIGA (India)	Think & Learn Pvt. Ltd.- Byju's	Education	460	N.A.
Baron Funds, B Capital Group, XN Exponent Holding, Arison Holdings, Tarsadia Capital and Macquarie Group	Think & Learn Pvt. Ltd.- Byju's	Education	455	N.A.
TCV, D1 Capital Partners, Falcon Edge, Tiger Global, ChrysCapital, TPG Growth, Steadview Capital, and Footpath Ventures.	Sporta Technologies Private Limited- Dream11 Fantasy Private Limited	Media and entertainment	400	N.A.
Multiples Alternate Asset Management, Canada Pension Plan Investment Board and Zenex Animal Health India Pvt. Ltd.	Zydus Animal Health and Investments Ltd.- Zydus AH	Pharma, healthcare and biotech	395	100.0%
Prosus Ventures, TPG Growth, Temasek, CDPQ, LGT Lightrock, Eight Roads and Think Investments	API Holdings Private Limited- Axelia Solutions Private Limited- Pharomeasy	E-commerce	350	N.A.
UBS, Blackstone Group LLP, ADQ, Phoenix Rising and angel investor	Think & Learn Pvt. Ltd.- Byju's	Education	350	N.A.

Deals in the spotlight – H1 2021

PE player Blackstone bets big on Mphasis, acquires 55.31% for USD 2.1 billion

Sector: IT & ITes

Investor	Investee
<p>The Blackstone Group L.P. is an American multinational private equity, investment banking, alternative asset management and financial services corporation. The firm is a global leader in traditional buyout, growth equity, special situations and secondary</p>	<p>Mphasis Ltd. is a leading IT solutions provider, offering applications, business process outsourcing and infrastructure services globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back™ Transformation approach that uses the exponential power of cloud and cognitive to provide hyper-personalised (C=X2C2TM=1) digital experience to clients and their end customers.</p>
Rationale	
<p>As per the BSE filing, the acquirer has entered into a share purchase agreement with the seller, pursuant to which the acquirer has agreed to acquire from the seller up to 104,799,577 equity shares of the target company (Mphasis Ltd.) representing 55.31% of the expanded voting share capital, completion of which is subject to the satisfaction of certain conditions precedent (including, but not limited to, receipt of the Required Statutory Approvals) under the Share Purchase Agreement.</p> <p>The acquirer is not a part of the seller's promoter group. The seller and the acquirer belong to separate funds. The seller is a part of Blackstone Capital Partners VI fund (BCP VI) and the acquirer is a part of Blackstone Capital Partners VIII and Blackstone Capital Partners Asia funds (BCP VIII and BCP Asia). The economic ownership of each of BCP VI (of which the Seller is a part), BCP VIII (of which the acquirer is a part) and BCP Asia (of which the Acquirer is a part) lies, and will continue to lie, with a diversified set of limited partners of the relevant funds. In addition, the Seller and the Acquirer are not subsidiaries of The Blackstone Group Inc."</p> <p>This investment will enable Mphasis to continue to create value for the long term with continuity in the management team and the board and provide additional resources to further accelerate the company's growth momentum..</p>	

Swiggy raises USD 800 million from fund managers, investors

Sector: E-commerce

Investor	Investee
<p>Consortium of investors include- Falcon Edge Capital, Amansa Capital, Think Investments, Carmignac, Goldman Sachs, Prosus Ventures and Accel Partners</p>	<p>Bundl Technologies Pvt. Ltd.- Swiggy.com is India's leading on-demand delivery platform with a tech-first approach to logistics and a solution-first approach to consumer demands. With presence in 500 cities across India, partnerships with hundreds of thousands of restaurants, an employee base of over 5000, a 2 lakh+ strong independent fleet of Delivery Executives they deliver convenience driven by continuous innovation.</p>
Rationale	
<p>Falcon Edge Capital, Amansa Capital, Think Investments, Carmignac, and Goldman Sachs joining as new investors.</p> <p>Commenting on the USD 800 million fund raise, Swiggy co-founder and CEO Sriharsha Majety says, "This fundraise gives us a lot more firepower than the planned investments for our current business lines. Given our unfiltered ambition though, we will continue to seed/experiment new offerings for the future that may be ready for investment later". He added by saying the new financing round was "heavily subscribed given the very positive investor sentiments towards Swiggy.</p> <p>According to industry sources the latest fundraise was done at a valuation of close to USD 5 billion.</p> <p>Swiggy currently operates in over 500 cities and leverages technology, delivery network and learnings from over 1 billion delivered orders to continuously improve on-demand food delivery services. After initial hiccups following the lockdown, Swiggy is coming out of the pandemic's shadows and have touched pre-Covid level numbers in terms of orders.</p>	

Outlook on PE investments



Raja Lahiri

Partner & Overseas Listings Leader,
Grant Thornton Bharat LLP

PE and venture capital (VC) deal activity continued to be robust in H1 2021 despite the strong headwinds of the COVID-19 second wave that hit India in April and May 2021. PE and VC investments in H1 2021 were at USD 18.5 billion with 635 deals, higher than H1 2020, which witnessed investment of USD 17.6 billion and 440 deals.

Digital and technology has continued to attract more than 50% of PE and VC investments across sub-sectors such as e-commerce, e-gaming, consumer tech, health tech, edtech and fintech. The other sectors of interest included healthcare and pharma, education, financial services and consumer.

Some of the notable deals included Blackstone's additional investment into Mphasis, investments into Swiggy, Byju's, Dream 11, FirstCry, Mesho, Infra market etc., as well as NIF's investment into Manipal Hospitals and Multiple PE's buy-out of Zydus Cadilla's animal health business.

Rapid pace of unicorns in India

H1 2021 witnessed 10 new unicorns backed by strong PE and VC funding - **Digit Insurance** (Insurtech), **Five Star Business Finance** (NBFC), **Meesho** (social commerce), **InfraMarket** (B2B ecommerce), **CRED** (Fintech), **Pharmeasy** (Healthtech), **Groww** (Fintech), **Gupshup** (Conversational messaging), **Mohalla Tech** (parent company of social platforms ShareChat and Moj) and **Moglix** (B2B commerce).

We expect to see strong PE and VC deals in the new-age business models enabled by technology, and this augurs well for stronger Indian start-up ecosystems and one may witness a rapid growth of unicorns from India in 2021. Large M&A deals such as Tata's acquisition of Bigbasket also demonstrates the strength of start-up ecosystem and demonstrates strong success for PE exit returns.

The second wave had an impact on deal making and currently, PE and VC deal momentum has significantly gone up with number of deal negotiations and due diligence underway. This is perhaps driven by the deal pause that India witnessed during April and May 2021 and pent-up deal demand post this period. In my view, PE and VC capital will continue to flow in the new age sector companies to leverage the market opportunity in the digital business segment and provide capital to make acquisitions. This will drive deal momentum quite actively in the next 6 months of 2021.

We are also witnessing lot of interest from PE and VC backed Indian corporates for SPAC listing especially in the US capital markets and listing evaluation, planning and preparations are underway. While ReNew Power announced SPAC listing in 2021, there would be many more Indian companies that are expected to list overseas in the next six months of 2021. Clearly, this would augur well for PE/VC fund exits and typically, companies in technology and new-age sectors would see overseas listing interest such as SAAS players, e-commerce, renewable energy.

Given the strong stock market performance, India listings for PE backed companies also continue to be reasonably strong in 2021 such as Sona Comstar, Nazara Technologies, Kalyan Jewelers, Indigo Paints and more lined up in the next six months.

PE and VC funds continue to focus on portfolio company business and monitor operations closely and restructure and pivot business models given the uncertainty posed by the pandemic and the move to digital business models, with ESG focus.

Regulatory outlook

- Tax and regulatory reforms
- Distressed deal activity

Tax and regulatory reforms



Sridhar R
Partner, Tax
Grant Thornton Bharat LLP



Nilpa Keval Gosrani
Chartered Accountant,
Mumbai

Reforming the law of land in midst of pandemic

The first half of 2021 has been vibrant for the taxpayers of the country given that the government has taken certain strategic and proactive measures to ensure tax efficacy. The Union Budget 2021-22 focused on tax and related administrative reforms, infrastructure development and divestment. Change in tax treatment of goodwill, broadening the scope of equalisation levy on e-commerce operators, taxation of slump exchange transactions were some of the key highlights of the Union Budget.

The year 2021 is also set to mark a major overhaul in form of changes in the Country's existing labour laws as the government is keen to implement the new labour codes soon. While the impact of these changes will be tested over time, the intent of the government to steer the path of radical changes seems clear.

Some of the major tax and other regulatory changes which have altered prevailing landscape, are summarised hereunder:

Direct tax

- The Finance Act (FA) 2021 amended the provisions regarding computation of capital gains in case of slump sale transactions by providing that the Fair Market Value (FMV) of assets shall be deemed to be consideration for transferor. As per the recently introduced valuation rules, higher of the book value of capital assets transferred or FMV of the non-monetary assets received by the transferor shall be deemed to be consideration of slump sale. As a result of this amendment, even the FMV of assets received by the transferor in lieu of transfer of business (popularly known as slump exchange) shall be deemed to be consideration and capital gains shall be computed accordingly.
- FA 2021 settled the dust over depreciation claim on goodwill. As per FA 2021, w.e.f. Financial

Year (FY) 2020-21, tax depreciation cannot be claimed on goodwill forming part of block of assets. While it clears the confusion over claim of depreciation on goodwill for FYs prior to FY 2020-21, however, restricts depreciation for subsequent years.

- The focus of present government has been on collection of tax at source by casting an obligation on the payer/payee to withhold/collect the tax, thereby enlarging the tax base and minimise tax avoidance. FA 2021 furthered this approach by introducing following key changes:
 - Deduction of tax at twice the applicable rates in case the payee has not filled income-tax return (ITR) of preceding two years. An obligation on the payer to verify ITR compliance of the recipient seeks to increase tax collection indirectly from the non-compliant payees.
 - Obligation to deduct tax at the rate of 0.1% on purchaser of goods in case the value of purchases exceeds INR 5 million w.e.f. 01 July 2021. In the absence of definition of goods in the Income-tax law, taxpayer may have to resort to definition of 'goods' laid down in other regulations. This obligation to deduct TDS may get extended to share purchase transactions if liberal meaning is assigned to 'goods'.
- The FA 2021 enlarged the scope of equalisation levy on e-commerce operators by including certain essential elements of online transactions within the definition of 'online sale of goods/ services such as acceptance of an offer, placing/acceptance of purchase order, provision to make online payment, etc. These inclusions drastically expand the scope of equalisation levy on non-resident e-commerce operators. The law also clarified that transactions subject to Indian withholding tax shall not be liable to equalisation levy. It is pertinent to note that the United States Trade Representative (USTR) has considered imposition of equalisation levy by India as 'discriminatory'. Amidst such controversy, the approach and stance of the government will be worth noting.

Tax and regulatory reforms

- In May 2021, the government notified the much-awaited thresholds for applicability of Significant Economic Presence (SEP) which seeks to expand the scope of business connection (akin to concept of Permanent Establishment under the tax treaties) of non-residents in India. SEP shall be applicable to a non-resident deriving consideration of INR 20 million or more in a year from Indian customers or has a user base of 0.3 million in India. SEP can have far reaching implications on non-residents not entitled to avail treaty benefit or belonging to a country with which India does not have tax treaty.
- The Apex Court in March 2021 settled a much-debated issue relating to taxation of payments made for the acquisition of off-the-shelf software i.e., whether the same is for copyright or copyrighted article and accordingly will it be subject to tax as royalty. The Court held that amount paid by resident Indian end-users/distributors to non-resident computer software manufacturers/suppliers, as consideration for the resale/use of the computer software through end-user licence agreement (EULA)/distribution agreements, cannot be classified as 'royalty' payment made for the use of copyright in the computer software.
- Government continues to make various income tax procedures faceless, the most recent being Faceless Penalty Scheme. Further, introduction of new e-filing portal of income department which commits to enhance experience of Taxpayers is a positive step towards digitisation.
- As per the RBI annual report for FY 2020-21, changes are likely in Overseas Direct Investment (ODI) regulations. It appears that the RBI is reviewing ODI regulations in consultation with the government to simplify and streamline the process further. Any favourable change in this regard will stimulate overseas expansion of Indian companies.

Investment promotion

Foreign exchange regulations:

- Startup India Seed Fund Scheme (SISFS) has been launched with an aim to provide financial assistance to start-ups for proof of concept, prototype development, product trials, market entry and commercialisation. SISFS seeks to provide INR 9,450 million over four years starting from FY 2021-22 for providing seed funding to eligible start-ups through eligible incubators across India. The scheme is expected to support an estimated 3,600 start-ups through 300 incubators.
- Foreign Trade Policy (FTP) [2021-2026] – Extant FTP [2015-2020] has been extended till 30 September 2021. With a view to push Indian economy towards glaring USD 5 trillion economy and bolster growth expansions, the FTP [2021-2026] is likely to provide impetus to exports and facilitate trade in line with international standards. The industry is expecting the government to aggravate measures for improving infrastructure, promote exports through microbial measures such as creation of district export hubs and make credit easily available for exporters.
- Notification of Production Linked Incentive Schemes (PLI) – The government introduced PLI scheme for 10 key specific sectors in November 2020 out of which seven schemes have been approved by the Cabinet. Currently, Cabinet approval of PLI schemes for automobiles, textile products and specialty steel is awaited.
- Supporting micro, small and medium enterprises (MSMEs) – The government nearly doubled the budgetary allocation for MSMEs in the Union Budget for 2021-22 thereby increasing financial support to MSMEs. Such enhanced capital support is likely to have long-term positive impact on MSME sector especially impacted due to uncertainty caused by the pandemic. Creation of asset reconstruction company will enable banks to focus on lending more to viable MSMEs. Easing of registration process facilitates ease of doing business for MSMEs in this challenging time.
- With a view to grow the financial markets in International Financial Service Centres (IFSCs) and provide an opportunity to resident individuals to diversify their portfolio, the RBI has permitted resident individuals to make remittances under Liberalised Remittance Scheme (LRS) to IFSCs established in India. This shall facilitate easy access to overseas securities for resident individuals.
- With a view to further open Foreign Direct Investment (FDI) into Indian insurance sector, the FDI limit has been increased from 49% to 74% under automatic route subject to specified conditions. Such increase will allow consolidation of foreign joint venture partners participating in Indian insurance sector and is also likely to attract additional equity in the sector.

Tax and regulatory reforms

Gujarat International Finance Tec-City (GIFT City)

- IFSC Authority has constituted a committee of experts to examine the feasibility of the variable capital company in India as a vehicle for fund management in IFSC. The committee has recently submitted its report to the IFSC authority with various recommendations taking into consideration the offshore structures.
- Certain tax exemptions provided to Category III Alternative Investment Funds (AIFs) in IFSC which inter-alia includes income from transfer of securities in India (other than shares in a company resident in India).
- The FA 2021 provides for tax neutrality provisions in case of relocation of offshore fund to a fund (Category I/II/III) in the IFSC provided such transfer of assets take place on or before 31 March 2023.
- Pursuant to the amendment vide the FA 2021, where relocating foreign funds to IFSC has been permitted, Securities and Exchange Board of India (SEBI) has recently permitted Foreign Portfolio Investors (FPIs) to obtain an approval from the designated depository participants for one-time off-market transfer of securities to the resultant fund in IFSC and the same shall be allowed without prejudice to any provisions of tax laws and foreign exchange regulations.

New labour codes

- Labour codes introduced by the government over the past year is a significant step towards the much-needed labour reforms in the country. In order to simplify the existing structure, the government has introduced four labour codes, which subsumes 29 existing labour laws, with an intent to amalgamate, simplify and rationalise the relevant provisions of the subsumed laws.
- These four laws broadly seeks to amend and consolidate a) the laws relating to wages, bonuses etc., b) the laws relating to social security with the goal to extend social security to all, c) the laws relating to trade unions, conditions of employment, investigation/settlement of industrial disputes and d) the laws regulating the occupational safety, health and working conditions of the persons employed in an establishment.
- While the codes have received the President's assent, the date of implementation is yet to be notified as many states are yet to notify rules under these codes in their jurisdiction.



Distressed deal activity – 2021: A new hope



Ashish Chhawchharia

Partner & National Head, Restructuring Services
Grant Thornton Bharat LLP

A long time ago, in a country far away, the term 'bankrupt' found its origins in the practice of breaking the official bench of an insolvent money lender – banca rotta. The evolution in financial systems relied on the hope that all is not lost, with more mature economies writing laws about bankruptcy resolution processes with increased confidence on the markets to either find buyers for a sick entity; or giving another chance to the original entrepreneur to revive the venture.

While 2020 was the year of the pandemic and damage control, 2021 may be remembered as the year of hope and economic reconstruction. The approval of a vaccine for humans was itself the booster shot for dealmakers, who could once again dare to look beyond the near-term disturbances and focus on long term value of a business.

The actions by the three pillars – legislature, executive and the judiciary – have represented a harmony of efforts in H1 2021, to create an environment for revival. Beginning with the first paperless budget, which was an implicit acknowledgement of the structural change in the way we work, the Finance Ministry re-affirmed the need for a 'Bad Bank' that is expected to commence operations shortly. A direct effect of such a national level expertise may be a reduction in time taken to consummate deals under IBC, a statistic closely monitored by potential buyers. Even the average recovery by creditors may show an uptick, due to the expectation of better negotiation due to aggregation of loans, power, motives, on the creditor side and also, ultimately a higher participation in the resolution process from the bidders.

It is important to note that the focus is on entire spectrum of deal sizes. The Atmanirbhar Bharat vision stresses the importance of MSMEs, who are the first to get the most advanced insolvency resolution mechanism of 'pre-packs'. However, for larger and complicated cases, IBC remains the vial of choice. With each amendment and case law precedence, the Code is evolving into a more mature mechanism, highly customised for India. H1 2021 saw some landmark judgements, including

the Apex Court dismissing appeals against the portion of IBC pertaining to personal insolvency of guarantors.

The first ever group insolvency threw up unprecedented challenges, but the parties found solace in an active judiciary that did not hesitate to extend the arms of insolvency law around sensitive matters. Videocon was allowed more time than the strict timelines, in the interest of a fair resolution and the consolidation of entities was done keeping in mind practical aspects of commercial linkage, be it for the debtor, employees, potential applicant, or any other stakeholder.

Another feather in the cap for IBC could be the potential resolution of the first financial services company, DHFL, a large and inherently complicated case, which has been approved by the lenders as well as Hon'ble NCLT, Mumbai. The more this case gets appealed, better the (case) law evolves.

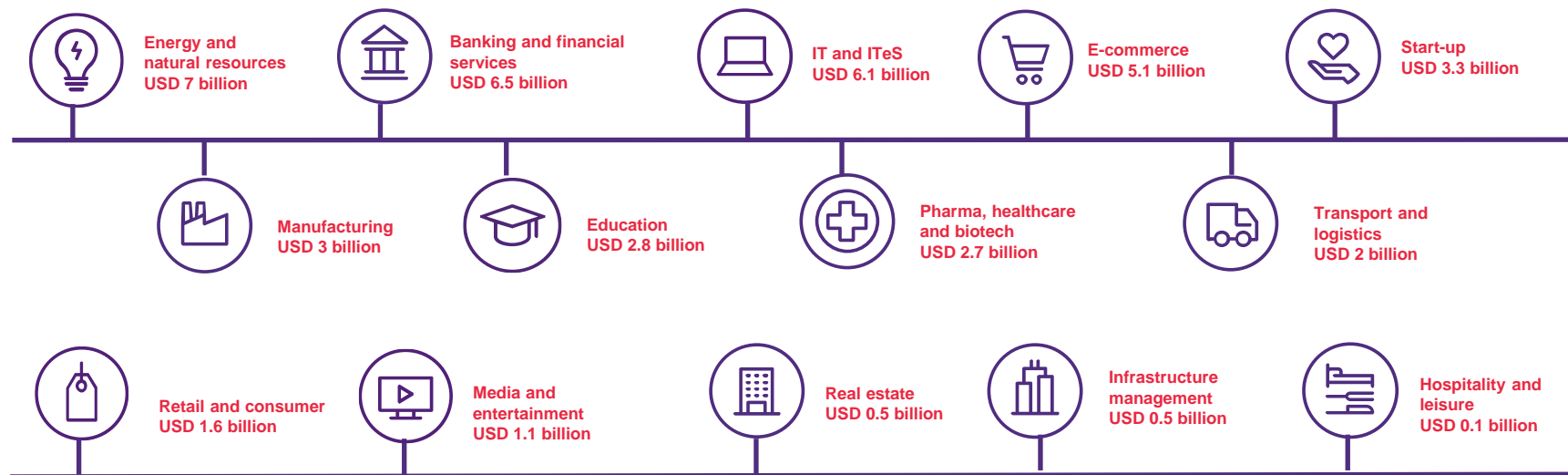
Since the embargo on insolvency filings was lifted in end of March this year, almost 200 insolvency resolution applications have been filed, which is nothing but another show of confidence by the ecosystem, including creditors, in the sanctity and effectiveness of the IBC process.

It would take at least another year for the impact of these developments to be visible in the form of speedy outcomes, higher participation of applicants, promoters attempting outside-IBC deals with lenders or taking refuge in RBI's debt restructuring framework. Some sectors have been more affected than others, such as retail, hospitality and aviation, where one can expect a higher consolidation. In conclusion, next 12 months are expected to be busy times for deal makers, with increasing number of opportunities for capital providers to enhance their portfolios with value-purchases. This may be called as bottom of the cycle for such investment, as those investors acting with speed and right choices can expect superior returns on capital deployed within the next 12-18 months.

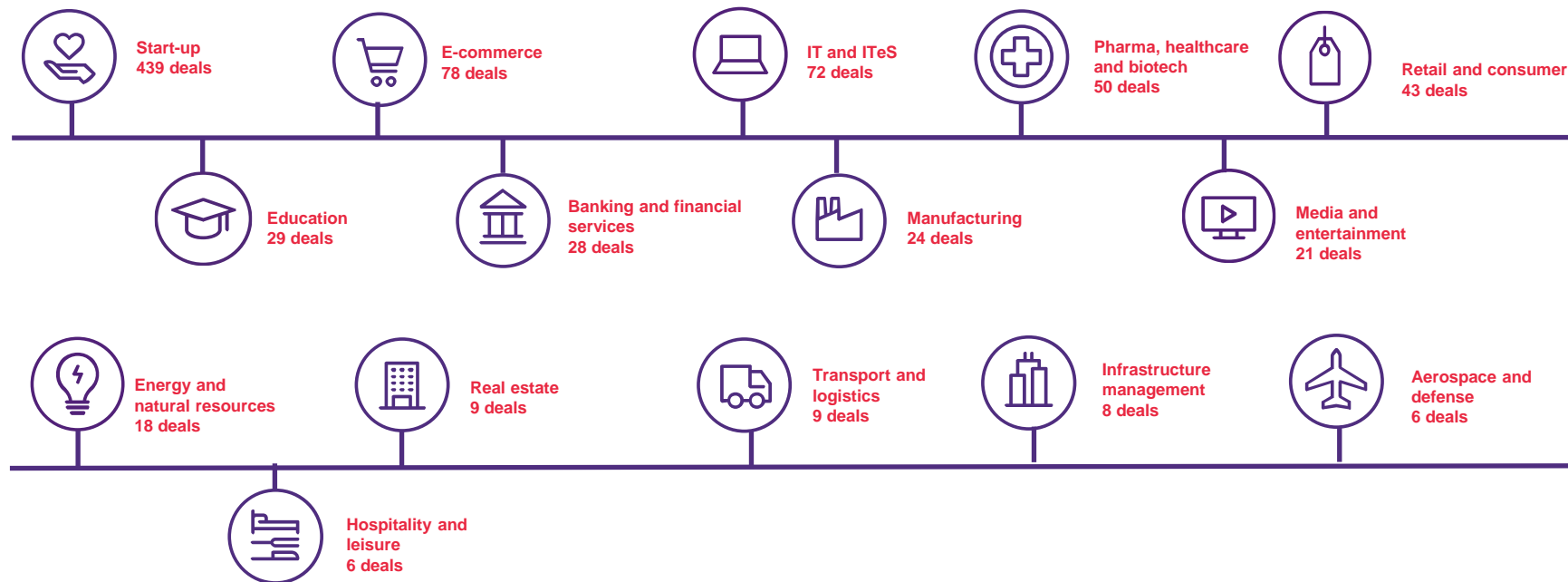
Sector spotlight

- Top sectors based on values
- Top sectors based on volumes
- Start-ups and e-commerce
- IT and ITeS
- Pharma, healthcare and biotech
- Retail and consumer

Top sectors based on values



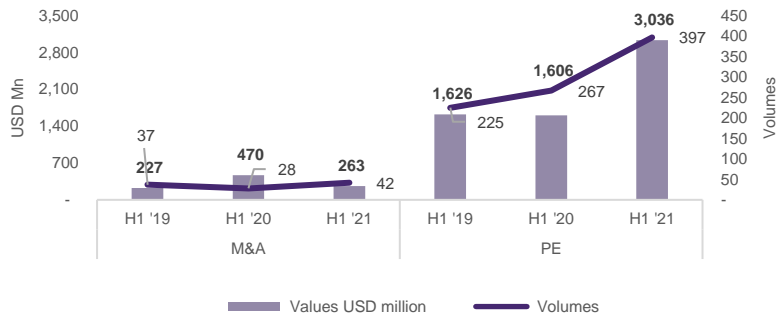
Top sectors based on volumes



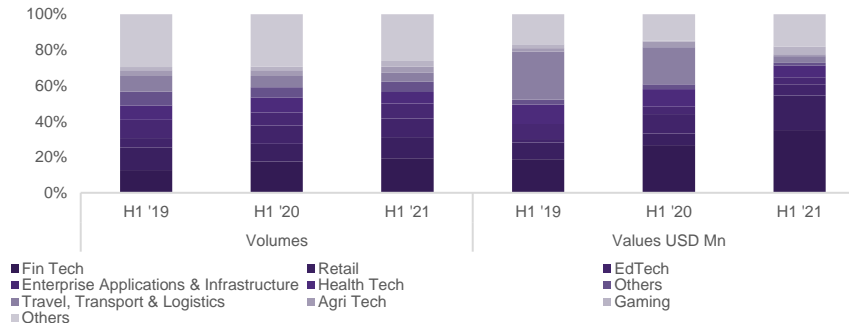
Start-up and e-commerce



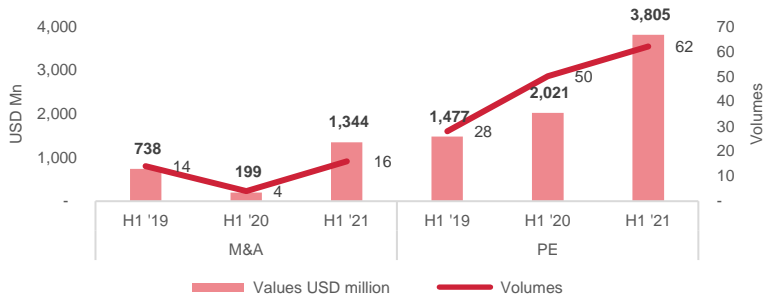
Start-up sector trend



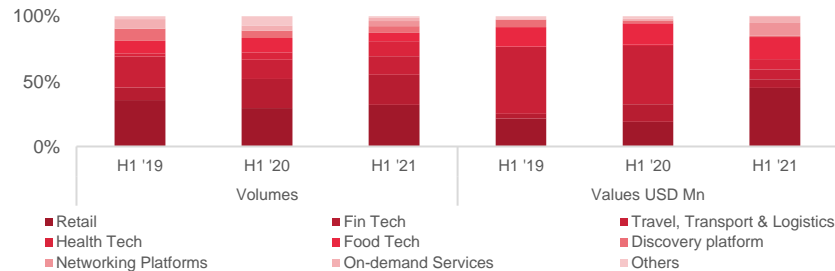
Start-up sub sector classification



E-commerce sector trend



E-commerce sub sector classification



Start-up



Deal highlights

Top M&A deals - H1 2021				
Acquirer	Target	Value (USD mn)	Deal type	% stake
Tata Digital Private Limited	Curefit Healthcare Pvt. Ltd.	75	Minority Stake	N.A.
RattanIndia Enterprises	Revolt Intellicorp Private Limited	20	Strategic Stake	43%
Hella Infra Market Limited- Infra.Market	Social Equipment Solutions Private Limited- Equiphunt	10	Majority Stake	N.A.
Open Financial Technologies Pvt. Ltd.	Optobizz Software Pvt. Ltd.	5	Acquisition	100%
United Education Company (UEC) and AI Rayan Holding Company	Proficiency Learning Solutions Private Limited- Eupheus Learning	4	Minority Stake	N.A.



Anirudh Gupta
Partner, Growth
Grant Thornton Bharat LLP

Top PE deals - H1 2021			
Investor	Investee	% stake	Value (USD mn)
Octahedron Capital, Moonstone Capital, Lightspeed Venture Partners, DST Global, GGV Capital, Altimeter Capital, and Tencent	Hiveloop Technology Pvt. Ltd.- Udaan	N.A.	280
Falcon Edge Capital, Coatue Management, Insight Venture Partners, DST Global, RTP Global, Tiger Global, Greenoaks Capital, Dragoneer Investment Group, and Sofina	Dreamplug Technologies Pvt. Ltd.- Cred	N.A.	215
Greenoaks Capital, Lightspeed Venture Partners, Sequoia Capital India and Kae Capital	Zetwerk Pvt. Ltd.	N.A.	120
Coatue Management, Ribbit Capital, Insight Partners, Steadview Capital, Beenext, Amplo and Sequoia Capital	Resilient Innovations Private Limited- BharatPe	N.A.	108
Alpha Wave Ventures, Matrix Partners India, SCI Investments, Redwood Trust and Moraine Master	Dtwelve Spaces Pvt. Ltd.- Stanza Living	N.A.	102

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The deal momentum in the e-commerce and start-up space continued to build-up during H1 2021 even with the resurgence of the pandemic and the resulting lockdowns. The e-commerce space saw 78 deals across PE and M&A segments with a deal value of USD 5.1 billion headlined by Tata Digital's acquisition of Big Basket and the PE Consortium investment into Swiggy. Start-ups in the

fintech, edtech and retail sectors continued to be in focus, accounting for a large share of the deals both in terms of value and volume. Considering the levels of traction and momentum, with the pandemic seemingly under control, H2 2021 is expected to have a further spurt in deal activity across sectors, with fintech and retail remaining in focus.

E-commerce

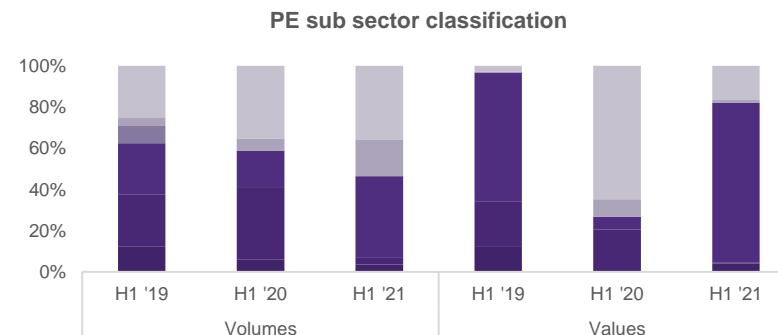
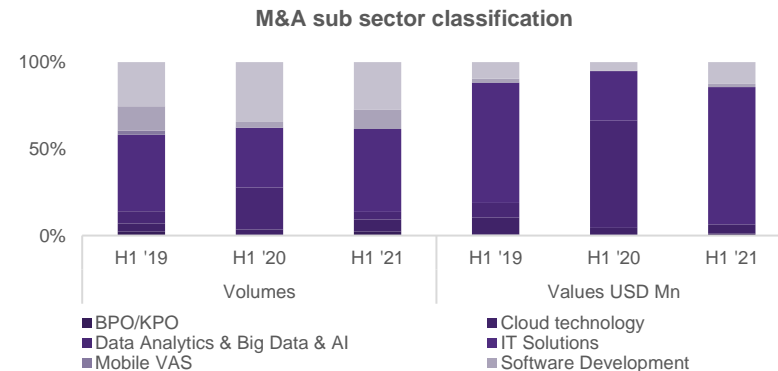
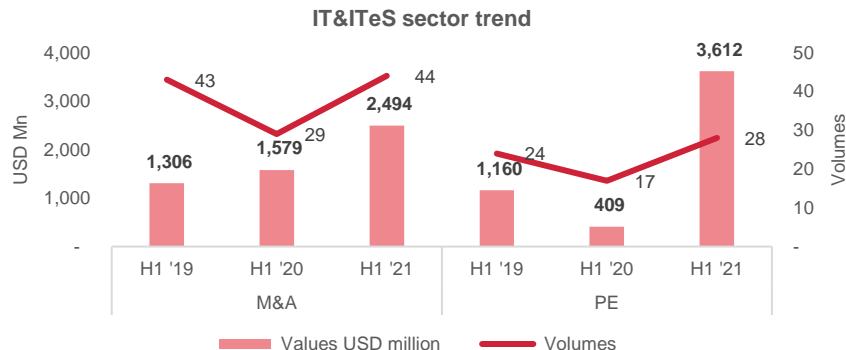


Deal highlights

Top M&A deals - H1 2021				
Acquirer	Target	Value (USD million)	Deal type	% stake
Tata Digital Private Limited	Supermarket Grocery Supplies Private Ltd.- Innovative Retail Concepts Pvt. Ltd. - BigBasket.com	1,257	Controlling Stake	64%
Hindustan Media Ventures Ltd.	Beldara.com	7	Minority stake	N.A.
Hindustan Media Ventures Ltd.	Oravel Stays Pvt. Ltd.- OYORooms.com	7	Minority Stake	N.A.
Zomato Media Pvt. Ltd.	Jogo Technologies Pvt. Ltd.- Fitso	N.A.	Acquisition	100%
Emami Ltd.	Helios Lifestyle Pvt. Ltd.- The Man Co	N.A.	Increasing stake to 45.96%	13%

Top PE deals - H1 2021			
Investor	Investee	% stake	Value (USD mn)
Falcon Edge Capital, Amansa Capital, Think Investments, Carmignac, Goldman Sachs, Prosus Ventures and Accel Partners	Bundl Technologies Pvt. Ltd.- Swiggy.com	N.A.	800.00
Lightspeed Venture Partners, Tiger Global, Snap Inc, Twitter and India Quotient	Mohalla Tech Pvt. Ltd.- Sharechat	N.A.	502.00
Prosus Ventures, TPG Growth, Temasek, CDPQ, LGT Lightrock, Eight Roads and Think Investments	API Holdings Private Limited- Axelia Solutions Private Limited- Pharameasy	N.A.	350.00
TPG Capital, ChrysCapital, and Premji Invest	BrainBees Solutions Pvt. Ltd.- Firstcry	N.A.	315.00
SoftBank Vision Fund 2, Prosus Ventures, Facebook, Shunwei Capital, Venture Highway and Knollwood Investment	Fashnear Technologies Pvt. Ltd.- Meesho	N.A.	300.00

IT & ITeS



Pankaj Chopda
Executive Director
Grant Thornton Bharat LLP

Grant Thornton Insights

The sector reported 3x deal values in H1 2021 as compared to H1 2020, however this was in the backdrop that Q2 2020 was significantly impacted by the pandemic. M&A deals in H1 2021 were primarily focused on cross border transactions to strengthen capabilities/customer profile in digitalisation and cloud migration services. PE transactions were focused on investing in artificial intelligence(AI), machine learning(ML) and analytics companies. Considering the accelerated pace in consumption of IT services during the pandemic, increasing role of AI, ML and analytics in all business processes and rush in number of companies looking at fund raise, we expect the heightened activity to continue in the rest of the year.



Deal highlights

Top M&A deals - H1 2021				
Acquirer	Target	Value (USD mn)	Deal type	% stake
Wipro Ltd.	Capco	1,450	Acquisition	100%
Iron Mountain Inc.	Web Werks India Pvt. Ltd.	150	Controlling stake	N.A.
Azentio Software Pvt. Ltd.	3i Infotech Limited- Software Products Business	135	Acquisition	100%
Coforge Limited	SLK Global Solutions Pvt. Ltd.	126	Controlling Stake	60%
Tech Mahindra Ltd.	DigitalOnUs, Inc	120	Acquisition	100%

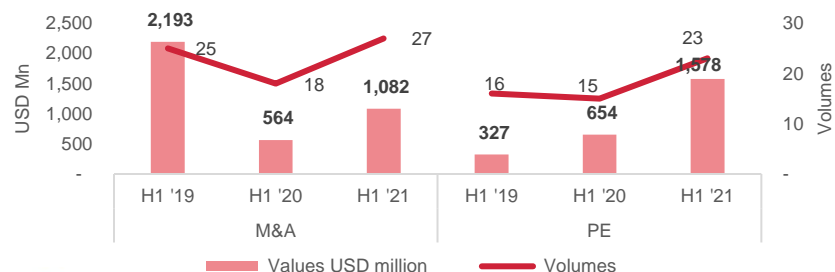
Top PE deals - H1 2021			
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Three Blackstone affiliate funds	Mphasis Ltd.	55.3%	2,084
Baron Capital Group, Duro Capital, Marshall Wace, Moore Strategic Ventures, Ward Ferry Management, Temasek, Lone Pine Capital and Sunley House Capital	Pine Labs Pvt. Ltd.	N.A.	285
Sorenson Capital Partners, Serena Capital, Sanabil Investments, Cisco Investments, March Capital Partners, National Grid Partners, Chiratae Ventures, Iron Pillar Fund, and Sistema Capital	Uniphore Software Systems Pvt. Ltd.	N.A.	210
The Carlyle Group and Brighton Park Capital	Indegene Pvt. Ltd.	N.A.	200
BOND, Insight Partners and Accel Partners	Browserstack Software Pvt. Ltd.	N.A.	200

- The overall IT and ITeS sector recorded 72 deals valued at USD 6.1 billion in H1 2021 translating to 57% increase in deal volumes and values recorded over 3-fold increase compared with H1 2020. M&A and PE deal activity saw an uptrend both in terms of deal values and deal volumes compared with H1 2020.
- This year witnessed deal activity across IT solutions and SaaS-based verticals with 44% and 31% of sector volumes, respectively.
- While home-grown IT giants including, Wipro, Tech Mahindra, Coforge and Azentio Software, dominated the M&A space with top deals, PE investors invested amount of USD 3.6 billion across 28 PE investments. The year witnessed Blackstone's USD 2.1 billion investment in Mphasis along with seven other deals valued at and above USD 100 million each. These high-values deals accounted for 94% of total PE sector values.

Pharma, healthcare and biotech



Pharma, healthcare and biotech sector trend



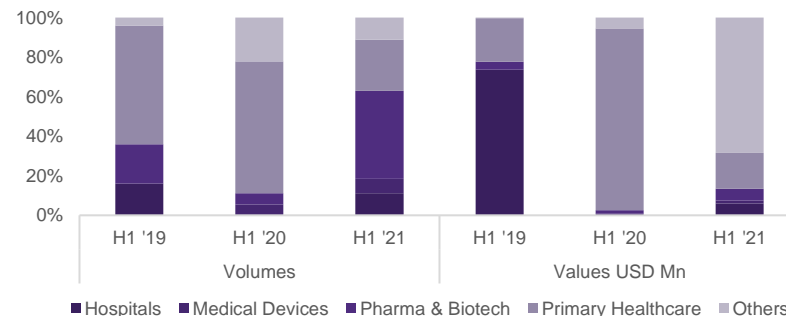
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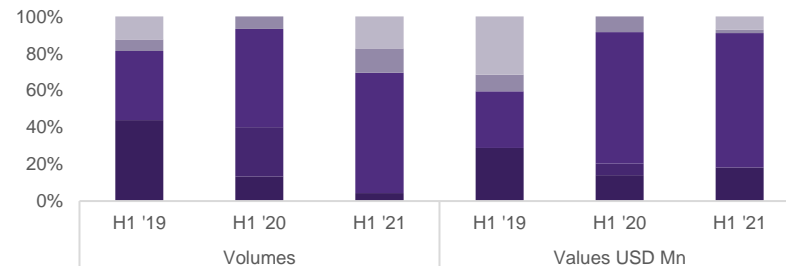
While the covid pandemic continues to disrupt the economic situation across countries, the pharma and healthcare sector demonstrated the much-required resilience in the deals space. H1 2021 witnessed one of the largest PE deals in the healthcare delivery space with National Investment and Infrastructure Fund Ltd. (NIIF) investing approximately USD 290 million in Manipal Health, whereas Thyrocare – Pharomeasy transaction headlined the consolidation that is actively happening in the medical diagnostics space. Piramal's acquisition of Hemmo Pharma for USD 106 million was a marquee deal during H1 2021, continuing its active deal spree for this fiscal year. Animal health space saw another interesting PE buyout in H1 2021, when Multiples PE completed the acquisition of Zydus's animal health business for USD 390 million. The cross-border deal activity as expected remained muted during H1 2021, with sharp drop in the outbound deals, both in terms of number and value of deals and this could well continue into H2 2021.

Overall, the deal activity during H1 2021 has shown some momentum despite the lockdowns and economic challenges. An aggressive countrywide vaccination drive and lifting of lockdowns across multiple cities across India is expected to provide further tailwind to the deal momentum during H2 of 2021.

M&A sub sector classification



PE sub sector classification



Pharma, healthcare and biotech



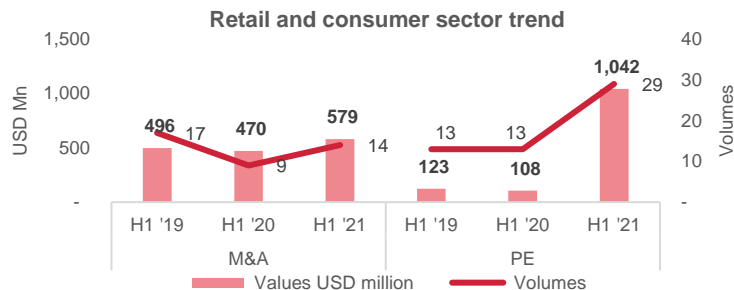
Deal highlights

Top M&A deals - H1 2021				
Acquirer	Target	Value (USD mn)	Deal type	% stake
Docon Technologies Pvt. Ltd.	Thyrocare Technologies Ltd.	623	Controlling stake	66%
Piramal Enterprises Ltd.- Piramal Pharma Ltd.	Hemmo Pharmaceuticals Pvt. Ltd.	106	Acquisition	100%
Metropolis Healthcare Ltd.	Hitech Diagnostic Centre Pvt. Ltd.	69	Acquisition	100%
SRL Limited	DDRC SRL Diagnostics Private Limited	48	Increasing stake to 100%	50%
Manipal Health Enterprises Ltd.	Vikram Hospital Private Limited	48	Acquisition	100%

Top PE deals - H1 2021			
Investor	Investee	% stake	Value (USD mn)
Multiples Alternate Asset Management, Canada Pension Plan Investment Board and Zenex Animal Health India Pvt. Ltd.	Zyodus Animal Health and Investments Ltd.- Zyodus AH	100.0%	395
NIIF Strategic Opportunities Fund	Manipal Health Enterprises Private Limited	N.A.	288
Advent International	ZCL Chemicals Ltd.	80.0%	221
TPG Growth, Route One, Think Investments and the Mankekar Family	Stelis Biopharma Pvt. Ltd.	N.A.	125
ChrysCapital	Corona Remedies Pvt. Ltd.	N.A.	96

- The pharmaceuticals sector witnessed 27 M&A transactions in H1 2021, valued at USD 1.1 billion. The figures mark the highest volumes record for the first six-month period in the last five years. Like M&A trend, PE investments recorded 23 deals worth USD 1.6 billion highest six-month investment values recorded in last 10 years while volumes recording 8 years high.
- Overall, the sector saw six deals valued at and above USD 100 million compared with four such deals witnessed in H1 2020.
- While pharma and biotech segments dominated the overall deal activity within the sector, both consolidations and PE investments were seen in the ancillary segment aiding pharma sector with investment in companies such as Anthem Bioscience, Veeda Clinical Research, Aragen Lifescience, Synapsica Healthcare, ABCD Technologies LLP and Bionees India.
- M&A deals within the sector were dominated by domestic consolidation with 89% of the total M&A deals volumes, whereas inbound and outbound transactions saw one and two deals, respectively.

Retail and consumer



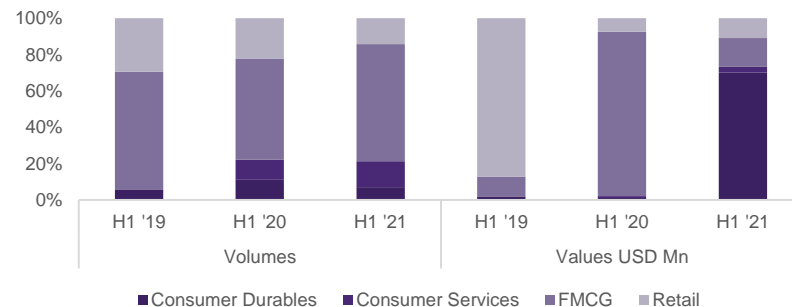
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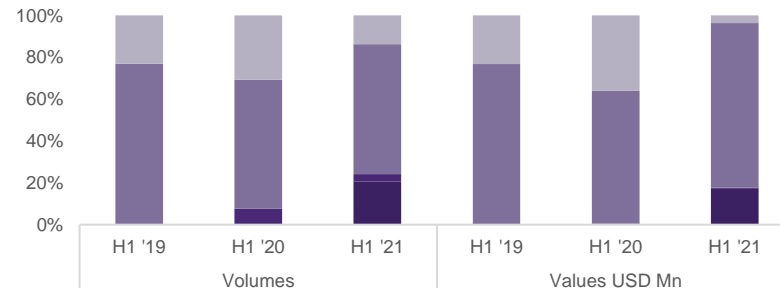
Last six months have witnessed a significant increase in both deal values and volumes within consumer and retail sector recording 43 deals valued at USD 1.6 billion. Deal activity picked up on the back of attractive valuations for investors, since the pandemic impacted the cash flows and business growth of multiple segments within the sector. Increasing investor confidence and enhanced transformation strategies are further driving deals activity in consumer markets. With increasing pace of vaccination and easing of lockdowns, sectors will see recovery at a faster pace.

Further, FMCG segment specially in the packaged food space, personal healthcare as well as apparel retail received great interest from M&A perspective. A steady flow of inbound transactions reflects the confidence which International players have in the India growth story. Going forward, retail players are expected to use the current macro-economic environment not only to buy assets which will increase the organic/inorganic reach but will also look at acquiring digital capabilities which can improve the consumer reach and experience. Consolidation is likely to continue to drive the deal activity in second half of 2021 as well since players will need more local presence and shorter supply chains.

M&A sub sector classification



PE sub sector classification



Retail and consumer



Deal highlights

Top M&A deals - H1 2021				
Acquirer	Target	Value (USD mn)	Deal type	% stake
Twin Star Technologies Limited	Videocon Industries Limited	406	Acquisition	100%
Aditya Birla Fashion and Retail Ltd.	Sabyasachi Couture Pvt. Ltd.	55	Controlling stake	51%
Kirin Holdings Company	B9 Beverages Pvt. Ltd.- Bira 91	30	Minority Stake	N.A.
Tata Consumer Products Limited	Kottaram Agro Foods Pvt. Ltd.- Soufull	21	Acquisition	100%
Wingreens Farms Pvt. Ltd.	Rakyan Beverages Pvt. Ltd.- RAW Pressery	14	Acquisition	100%

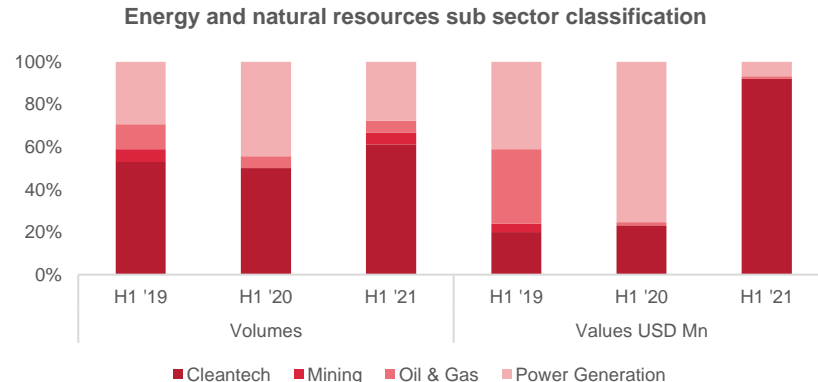
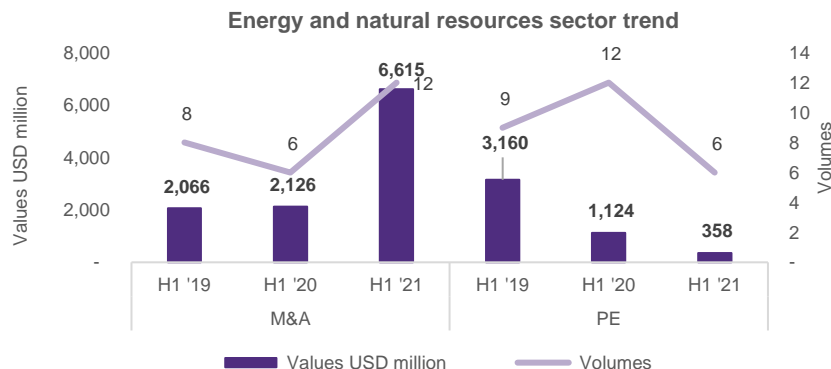
Top PE deals - H1 2021			
Investor	Investee	% stake	Value (USD mn)
KKR & Co.	Vini Cosmetics Pvt. Ltd.	N.A.	625
Warburg Pincus	Imagine Marketing Pvt. Ltd.- boAT	N.A.	100
Quadria Capital	Nobel Hygiene Pvt. Ltd.	18.7%	68
South Lake Investment	Imagine Marketing Pvt. Ltd.- boAT	21.1%	60
ChrysCapital	Fit & Glow Healthcare Private Limited- WOW Skin Science India Pvt. Ltd.	35.0%	50

- The retail and consumer sector witnessed 14 M&A transactions in H1 2021, up by 56% compared to H1 2020 valued at USD 579 million, 23% up compared to H1 2020. The sector activity was mainly led by deals in the domestic space with 71% of the sector volumes. The sector was dominated with the deals in the FMCG space accounting for 64% of the total sector M&A volumes.
- PE investments on the other hand recorded 29 deals valued at USD 1 billion marking the highest deal volumes and values recorded in the first six months of any given year in the last decade. The investment values were driven by KKR's USD 625 million worth investment in Vini Cosmetics. This deal alone accounted for 60% of the PE sector values. The year so far witnessed boAT raising funds three times followed by Nobel Hygiene, Vini Cosmetics and Bombay Shaving Company raising funds twice each in the first six months.
- Overall, the sector saw three deals valued at and above USD 100 million and four deals valued at and above USD 50 million each.
- Aditya Birla, Tech Mahindra, Tata Group, NCL Industries are few key corporates who have remained active acquiring their small counterparts with a rationale to expand product portfolio and to participate in new consumption categories.
- On the PE front, companies in the retail and consumer space have garnered investors cheques to further fortify their leading market position, widen their R&D capabilities and product portfolio, enable the manufacture of products in India, expand their online presence and offline footprint through territory expansion and hire fresh talent.

High value consolidation sectors

- Energy and natural resources
- Manufacturing

Energy and natural resources



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Power including cleantech is a consistently growing segment in line with the growth of the economy and assuming a significant capital outlay from the government determined to cover every part of India and a sector which has the attention and commitment of some of the large PE players especially for the cleantech segment. In the green energy segment, the government has plans to establish 225 GW capacity by the year 2022. In the first half of this year, it has attracted investments from TOTAL for a minority stake in Adani Green Energy including investments into the Solar energy business involving an outlay of USD 2.5 billion. Adani Green Energy has also acquired SB Energy from Softbank for a value of USD 3.5 billion. While PE investments have been insignificant there is enough dry powder waiting to be invested, this sector will continue to see some interplay in the form of M&A and PE investments.

Energy and natural resources



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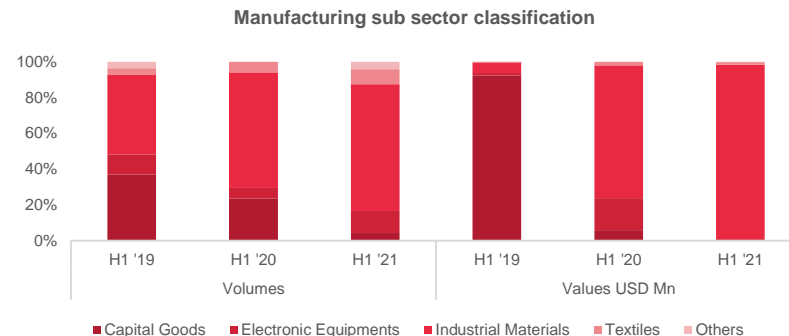
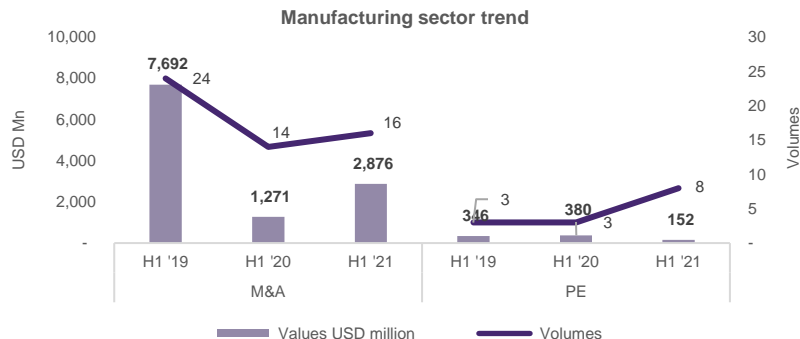
Oil and gas will continue to fuel growth in energy since the growth of India is firmly linked to the energy demand. M&A and PE deals in this segment has been lukewarm, but for the investment by Haldia Petrochemicals in Nagarjuna Oil. Government's plan for divestment in BPCL has been on the cards and one could possibly see that being completed before the end of the second half of this year or early next calendar year.

In the mining sector there has been a fair bit of greenfield expansion of coal mines, at least eight of them, expansion of existing projects worth INR 45,000 crore, however, there has not been much activity in M&A and PE investments into this segment. The central government has covered the metals and mining segment with a PLI scheme worth INR 6300 crore which should attract more investments and M&A opportunities to fuel expansion programme at the outset, since this segment will have a critical role to support growth in infrastructure and related manufacturing sectors.

Top deals - H1 2021

Acquirer/investor	Target/investee	Value (USD mn)	Deal type	% stake
Adani Green Energy Ltd.	SB Energy India	3,500	Acquisition	100%
Total SE	Adani Green Energy Ltd.	2,476	Minority Stake	20%
Adani Transmission Ltd.	Warora-Kurnool Transmission Limited	462	Acquisition	100%
Actis Lip	Fortum Oyj- 250MW Pavagada II and the 250MW Rajasthan solar power plants	335	PE	N.A.
Haldia Petrochemicals Ltd.	Nagarjuna Oil Corporation Limited	82	Acquisition	100%

Manufacturing



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Director, Growth
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Domestic M&A deals were the main impetus for deal activity in the manufacturing space during the half year, which was led in value by JSW acquiring Bhushan Power & Steel. Whilst domestic M&A activity by value indicated a buoyancy, PE deals by value witnessed a decline for the sector. Further, as the economy posted a recovery, the investment outlook in the country continues to look positive with companies like Amazon, Samsung and Godrej gearing up to invest in manufacturing facilities. Also, whilst economic recovery is hindered by the pandemic's second wave, the vaccination drive signals some respite.

Top deals - H1 2021				
Acquirer/investor	Target/investee	Value (USD mn)	Deal type	% stake
JSW Steel Ltd.	Bhushan Power & Steel Ltd.	2,651	Acquisition	100%
Clariant International Ltd.	India Glycols Ltd.- IGL Green Chemicals Private Limited	81	Controlling Stake	51%
Rossari Biotech Limited	Unitop Chemicals Private Limited	58	Acquisition	100%
JM Financial India Fund II, Think Investments and others	BRFL Textiles Pvt. Ltd.	32	PE	N.A.
DMI Management	Azad Engineering Pvt. Ltd.	20	PE	N.A.

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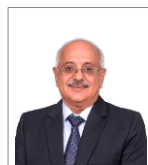
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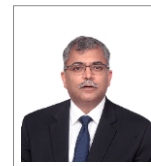
Darshana Kadakia



Rahul Kapur



Raja Lahiri



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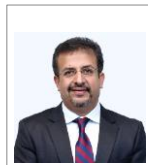
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Acquisition	Acquisition	Acquisition	VDD	Acquisition
 <p>pnb Housing Finance Limited</p> <p>Ghar Ki Baat</p> <p>ADITYA construction company Creating Landmarks <small>An ISO 9001:2008 Company</small></p>	 <p>SBICAP VENTURES LTD.</p> <p>FERROUS INFRASTRUCTURES Infinite Possibilities</p>	 <p>Hero</p> <p>Norton®</p>	 <p>kotak</p> <p>SIGNATURE GLOBAL MAKING INDIA AFFORDABLE</p> <p>NESTLE</p>	 <p>TekTravels</p> <p>GEMINI TOURS & TRAVELS</p>
Acquisition	Acquisition	Acquisition	PE Investment	Acquisition

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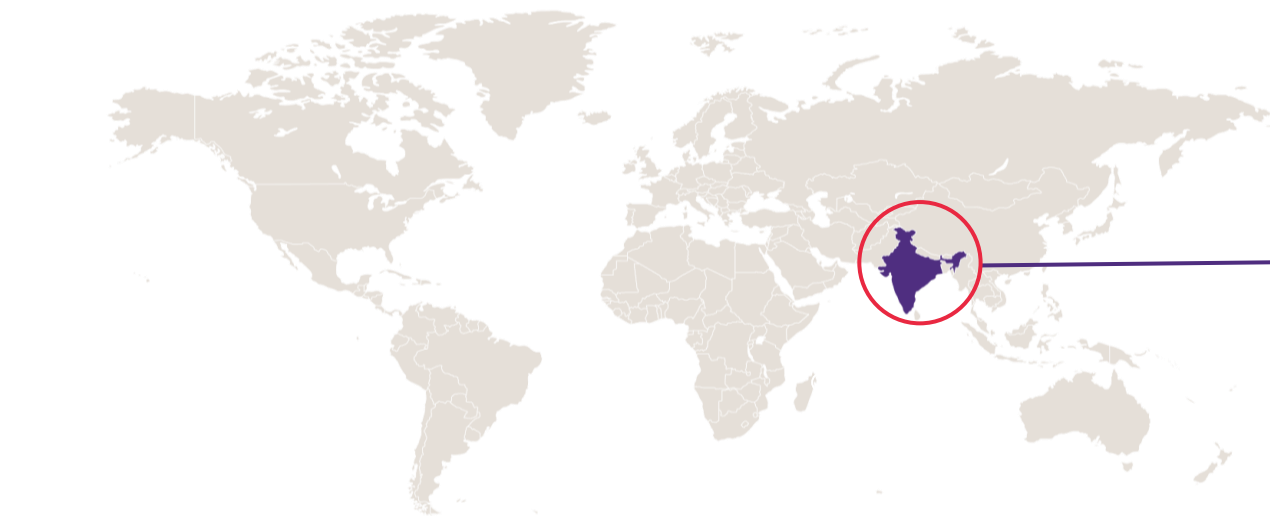
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