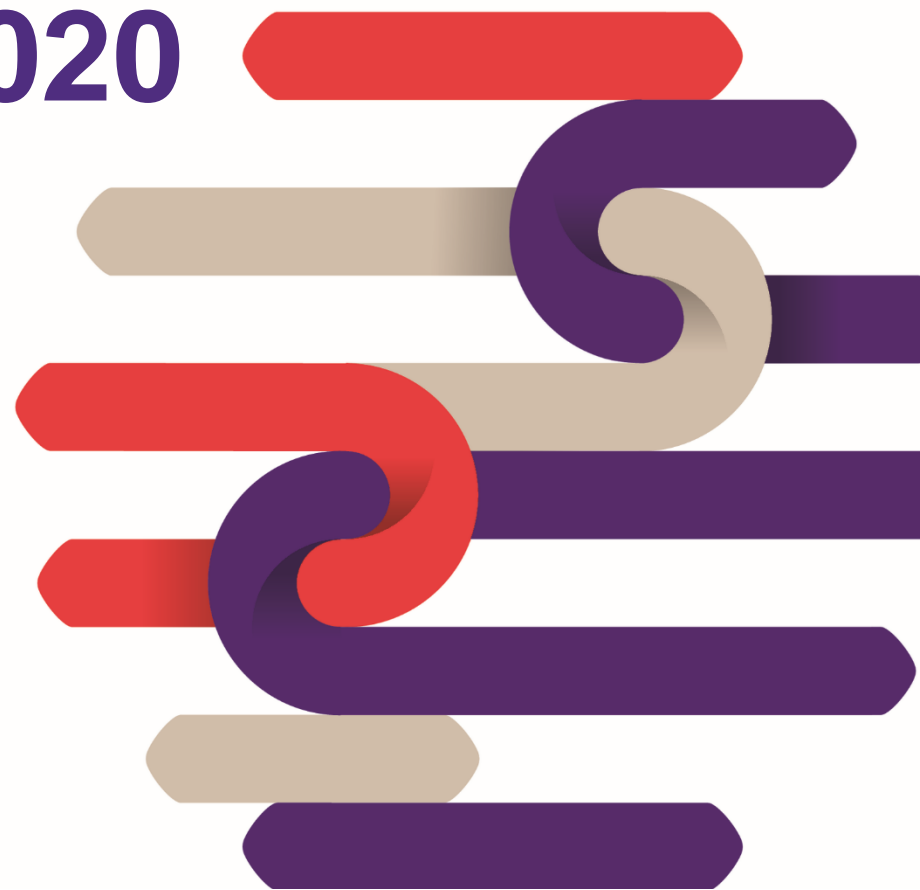


Dealtracker- Q1 2020

Providing M&A and Private Equity
deal insights

March 2020
Volume 16.3



Disclaimer:

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

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

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Foreword



Pankaj Chopda

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Several global economic events such as the US-China trade war escalation, prolonged Eurozone slowdown and no-deal Brexit towards the end of 2019 were indicators of the uncertain times and global recession. The combined impact of the global economic indicators and downward trend in the Gross Domestic Product (GDP) growth rate, which saw Indian economy expanding 4.7% year-on-year (y-o-y) in Q4 2019, was evident in the deal trends for that quarter. The Q4 2019 GDP rate saw the weakest growth rate since Q1 2013. However, despite uncertainties, 2020 started on a positive note complemented by a supportive Union Budget 2020. Things changed with the COVID-19 crisis. In the wake of this pandemic, March 2020 witnessed a slowdown in activity thereby impacting the overall deal activity in Q1 2020.

Even as COVID-19 threatens to challenge the overall annual deal environment, a reasonably strong Q1 2020 with as many as 313 deals demonstrated a 7% growth in volumes compared to Q1 2019. The total values stood at USD 14.9 billion, which is a 26% decline y-o-y. Q1 2019 saw USD 7.2 billion Arcelor Mittal–Essar Steel transaction; absence of a similar such transaction in March 2020 resulted in 77% drop in the March deal values.

The hopes of strategic investors, who expected a deal-making trend this year, were sabotaged with the steep market drop triggered by COVID-19. Many companies have had to halt mergers and acquisitions (M&A). Consequently, the quarter recorded 94 deals making it the lowest quarterly deals since 2011. This translated into a 17% drop in the deal volumes compared to Q1 2019 and values stood at USD 10 billion, an 18% decline over the same period last year.

The current economic impact of COVID-19 raises a question on whether the M&A space will see acquirers walk away from the deals or have them completed propelling deal-making in India. However, once the volatility subsides, advisers to companies expect many potential acquirers to seize targets at attractive valuations and pursue their dream deals, particularly, in sectors with barmy deal prices such as technology.

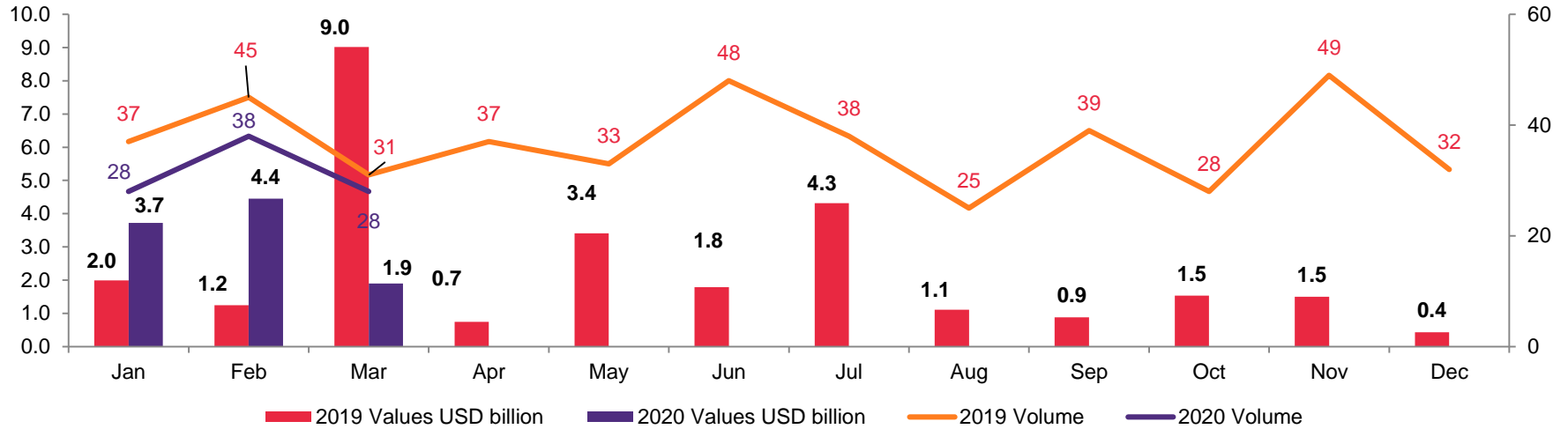
Private Equity (PE) investment activity, on the other hand, continued its positive trend with 219 deals in Q1 2020, recording 22% spike over Q1 2019. However, the investment values slumped to USD 5 billion from USD 8 billion in Q1 2019. Despite the subdued macroeconomic outlook, PE activity did not slow much in 2020. Financial investors continued to make deals, find exits and raise even more capital fueled by encouraging reforms and relaxed investment norms announced for fund managers or general partners in the Budget. Additionally, to satisfy their appetite for PE investments and enhance their returns, limited partners (LPs) are increasingly willing to co-sponsor deals with global partners (GPs) to either access larger deals or to deepen their relationships with select institutional investors.

Driven by three high-value deals of over USD 500 million each with eight other deals, energy and natural resources sector topped the value chart in Q1 2020. The sector also saw the biggest debt resolution deal by an international stressed asset funds in India and one of the biggest outside the insolvency resolution framework, without any change in management, by Goldman Sachs and Varde Partners consortium in Rattan India Power Ltd. Bail out of Yes Bank by the State Bank of India (SBI) and Adani Ports' single-biggest acquisition of 75% stake in Krishnapatnam Port Company Ltd. led the banking and financial services sector and the transport and logistics sector to the forefront in terms of value. Each of the deals were valued at about USD 1.4 billion. Start-up, IT and e-commerce sectors were the volume haulers contributing 64% of the total deal volumes for the quarter. These sectors also saw high-value deals worth USD 4.6 billion. Other sectors that remained active during the quarter were pharma, manufacturing, retail, education and automotive, among others.

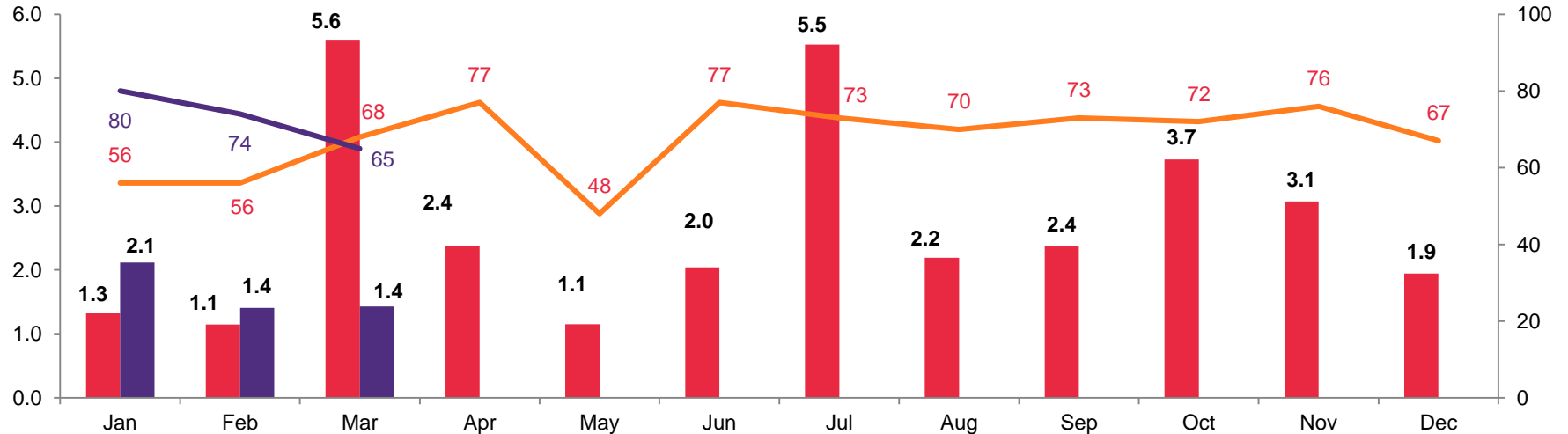
The prevailing crisis has resulted in slowdown of global economies and given rise to the fear of recession. Consistent measures by the government could curtail the negative impact of slowdown and bring back deal-making, however, the slowdown might take longer than expected to dissipate.

Deal snapshot

M&A snapshot

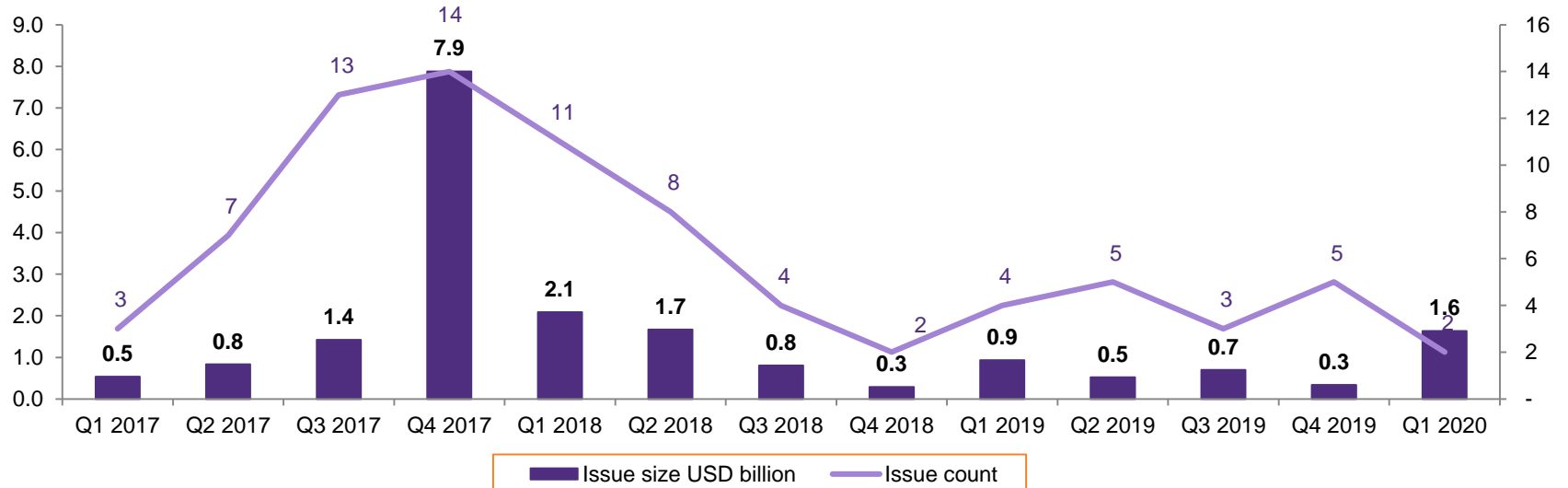


PE snapshot

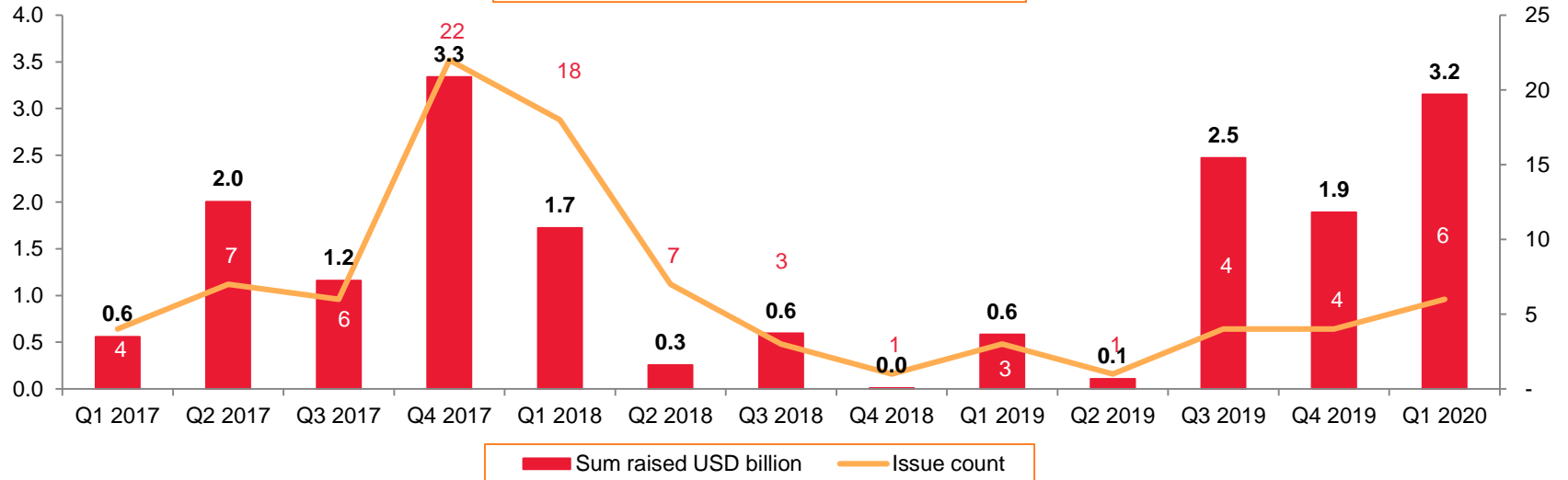


Deal snapshot

IPO snapshot



QIP snapshot



Deal round-up – Q1 2020

While overall volumes remained robust, values dropped in Q1 2020 owing to shortfall of big-ticket deals

- India has witnessed a series of events, including the recent Yes Bank crisis and COVID-19 pandemic, in addition to exposure to global economic turmoil. As a result, Q1 2020 recorded 313 transactions worth USD 14.9 billion, a steep decline of 26% of deal values compared to Q1 2019 and a strong 7% increase in the deal volumes.
- However, volatility in stock exchanges and the new lows in the exchanges is likely to dampen the deal activity in the coming months. The 77% fall in the deal values with 6% decline in the volumes witnessed in March 2020, resulted in the overall decline in Q1 2020 deal activity. January and February, on the other hand, recorded heightened deal activity both in terms of values and volumes.
- Compared to the previous quarter, Q4 2019, Q1 2020 reported an increased deal activity with 23% hike in the values despite a marginal 3% fall in volumes. This demonstrates a good start to the year 2020 compared to a weak quarter end in 2019. This surge in deal values was driven by a few notable high-value deals in Q1 2020.
- Q1 2020 recorded three deals in the billion dollar category, six deals were valued over USD 500 million and 20 deals were valued over USD 100 million each. These high-value deals together translated into 82% of the total deal values for the quarter forming only 9% of total deal volumes.
- Owing to a 79% drop in the deal activity in March 2020, on account of ArcelorMittal-Essar deal valued at USD 7.2 billion recorded in March 2019, the M&A activity in Q1 2020 witnessed an 18% fall in the deal values over Q1 2019. However, barring this deal, Q1 2020 deal values recorded a whopping 200% hike with 17% fall in volumes. Overall, Q1 2020 recorded the lowest quarterly values for the first three months in the last four years and lowest quarterly volumes since 2011.
- PE investments witnessed an increased activity with 22% hike in the deal volumes while values declined by 39%. 2020 recorded the second highest deal values in the first three months since 2011 and highest quarterly volumes in last 13 quarters.
- First quarter of 2020 recorded six Qualified Institutional Placement (QIP) issues of USD 3.2 billion, a 100% increase in the count and 5.4x increase in the issue size over Q1 2019 driven by Bharti Airtel's over USD 2 billion fundraise. Contrary to QIP fundraising, Initial Public Offering (IPO) recorded only two issues with 75% increase in the issue size at USD 1.6 billion over Q1 2019 driven by SBI Cards and Payment Services Limited IPO issue of USD 1.4 billion.

	Deal summary			Volume			Value (USD million)			
	2018	2019	2020	2018	2019	2020	2018	2019	2020	
Q1 2020	Domestic	67	59	54	13,312	9,008	6,037			
	Cross-border	45	50	38	3,170	2,208	3,981			
	Merger and internal restructuring	6	4	2	2,180	1,034	10			
	Total M&A	118	113	↓ 17%	94	18,662	12,250	↓ 18%	10,028	
	PE	206	180	↑ 22%	219	4,089	8,058	↓ 39%	4,952	
	Grand total	324	293	↑ 7%	313	22,751	20,308	↓ 26%	14,980	

Cross border includes

Inbound	23	24	18	1,969	1,577	3,551
Outbound	22	26	20	1,201	631	430

	Deal summary			Volume			Value (USD million)			
	2018	2019	2020	2018	2019	2020	2018	2019	2020	
March 2020	Domestic	14	20	18	495	8,244	1,672			
	Cross-border	16	11	10	1,202	769	186			
	Merger and internal restructuring	2			10					
	Total M&A	32	31	↓ 10%	28	1,707	9,013	↓ 79%	1,858	
	PE	60	68	↓ 4%	65	1,382	5,588	↓ 74%	1,429	
	Grand total	92	99	↓ 6%	93	3,089	14,601	↓ 77%	3,287	

Cross border includes

Inbound	6	6	4	672	706	160
Outbound	10	5	6	530	63	26

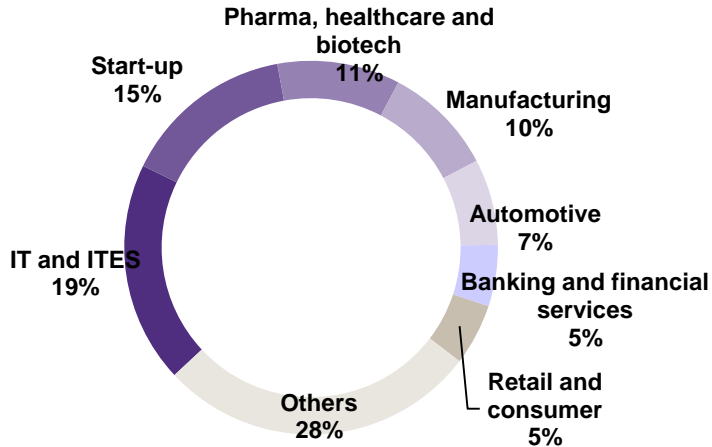
M&A round-up – Q1 2020

Top 10 deals accounting for 11% of M&A deal volumes, constituted 82% of the total M&A deal values in Q1 2020

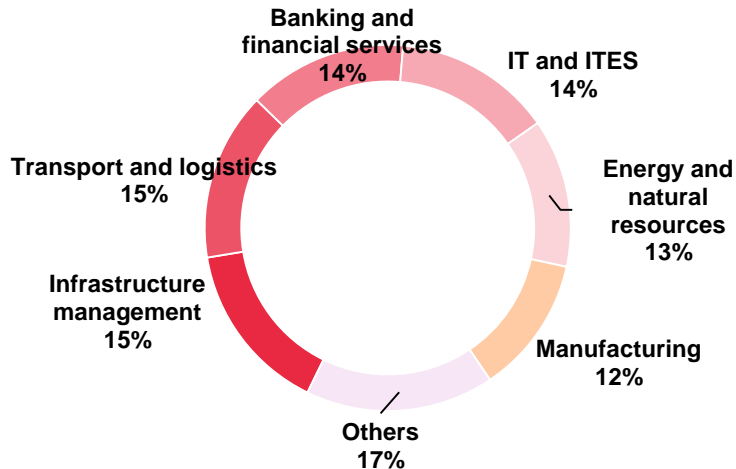
Top M&A deals of the quarter						
Acquirer	Target	Sector	USD million	Deal type	% stake	Domestic/ cross-border
Groupe Aeroports de Paris SA (ADP)	GMR Airports Holding Ltd.	Infrastructure management	1,518	Strategic stake	49%	Inbound
Adani Ports and Special Economic Zone Limited	Krishnapatnam Port Company Ltd.	Transport and Logistics	1,434	Majority stake	75%	Domestic
State Bank of India, Housing Development Finance Corporation Ltd., ICICI Bank Ltd., Axis Bank Ltd., Kotak Mahindra Bank Ltd., The Federal Bank Ltd., Bandhan Bank Ltd., IDFC First Bank Ltd.	YES Bank Ltd.	Banking and financial services	1,389	Majority stake	N.A.	Domestic
Clarivate Analytics Plc.	Piramal Enterprise Ltd.- Decision Resources Group	IT and ITES	950	Acquisition	100%	Inbound
Nuvoco Vistas Corporation Ltd.	Emami Cement Ltd.	Manufacturing	775	Acquisition	100%	Domestic
JSW Energy Ltd.	GMR Kamalanga Energy Limited	Energy and natural resources	749	Acquisition	100%	Domestic
Total S.A.	Adani Green Energy Ltd.	Energy and natural resources	510	Strategic stake	50%	Inbound
Zomato Media Pvt. Ltd.	Uber Technologies Inc.- Uber Eats India Pvt. Ltd.	Start-up	350	Acquisition	100%	Domestic
Siemens Ltd.	CandS Electric Ltd.	Manufacturing	296	Majority stake	99%	Domestic
Dr Reddy's Laboratories Ltd.	Wockhardt Ltd.'s generics drug business in India and a few other countries	Pharma, healthcare and biotech	260	Acquisition	100%	Domestic

M&A sector spotlight - Q1 2020

Top sectors based on deal volumes



Top sectors based on deal values (USD million)



Notable sector trends

- IT and start-up sectors dominated the deal activity in Q1 2020 aggregating 34% of total deal volumes. The quarter saw some notable deals in these sectors including the second biggest acquisition by Infosys. Some of the start-up companies involved in largest transactions included Instamojo, NoBroker and PayU. While IT sector deals were dominated by IT solutions and software companies; retail, ed-tech and real estate tech platforms dominated the start-up sector.
- Groupe ADP's 49% stake acquisition in GMR Airports Holding Limited, overriding a consortium comprising of the Tata Group, an affiliate of Singapore sovereign wealth fund GIC and Hong Kong-based SSG Capital Management due to lack of government approvals, was the largest deal for the quarter in the infrastructure sector. This was followed by Adani Ports' single-biggest acquisition of 75% stake in Krishnapatnam Port Company in the transport and logistics sector.
- Q1 2020 witnessed deals pushed by Insolvency and Bankruptcy Code (IBC) and distress sale in the pharma, manufacturing, infrastructure and banking sectors. Notable deals include Siemens' acquisition of CandS Electric Ltd., marking the second big-ticket inbound takeover in India's electrical equipment sector within two years. GFG Alliance's Liberty House acquisition of Adhunik Metals marks the GFG Alliance's entry into India. NBCC's acquisition of Jaypee in the infra space and SBI-led Yes Bank deal in the banking space, among others, are some of the notable deals in these sectors.
- Energy, e-commerce and automotive sectors also witnessed high-value deals of over USD 100 million during the quarter.

Key sectors

Notable sectors	Volume	USD million
IT and ITES	18	1,397
Start-up	14	414
Pharma, healthcare and biotech	10	344
Manufacturing	9	1,219
Automotive	7	551
Banking and financial services	5	1,408
Energy and natural resources	4	1,316

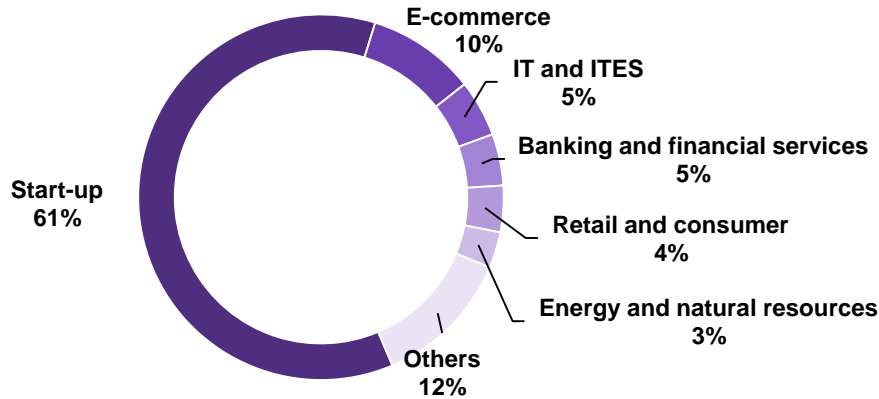
PE round-up – Q1 2020

Top 10 investments accounting for 5% of PE deal volumes, constituted 53% of the total PE deal values in Q1 2020

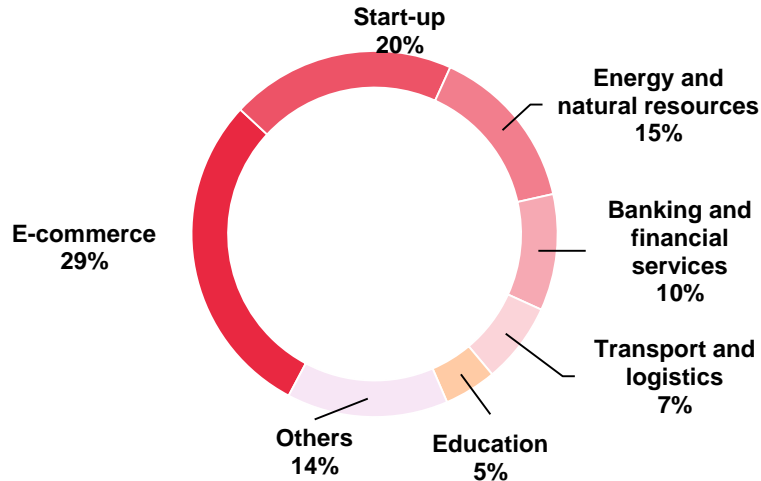
Top PE deals of the quarter				
Investor	Investee	Sector	% stake	USD million
Softbank and RA Hospitality Holdings	Oravel Stays Pvt. Ltd.- OYORooms.com	E-commerce	N.A.	807
Goldman Sachs and Varde Partners	RattanIndia Power Ltd.	Energy and natural resources	N.A.	570
Brookfield Asset Management	IndoStar Capital Finance Limited	Banking and financial services	40%	204
Tiger Global Management	Think and Learn Pvt. Ltd.- Byju's	Education	N.A.	200
Blackstone Group Inc.	Greenbase Industrial Parks Private Limited	Transport and logistics	N.A.	176
Warburg Pincus- Emerald Sage Investment	Apollo Tyres Ltd.	Automotive	N.A.	152
Ant Financial	Zomato Media Pvt. Ltd.	E-commerce	N.A.	150
India Grid Trust (IndiGrid)	East-North Interconnection Company Limited	Energy and natural resources	100%	134
Temasek, Castle Investments, Eqip Capital, Pathiti Investment Trust, Unilever Venture Holdings, GableHorn Investments, Ascent Capital, Accel Partners and Chiratae Ventures	Curefit Healthcare Pvt. Ltd.	Start-up	N.A.	117
Blackstone Group Inc.	Mariana Infrastructure Ltd. and commercial assets in Mumbai	Real estate	N.A.	114

PE sector spotlight - Q1 2020

Top sectors based on deal volumes



Top sectors based on deal values (USD million)



Notable sector trends

- With the biggest debt resolution deal by an international stressed asset funds in India and one of the biggest outside the insolvency resolution framework without any change in management - by the Goldman Sachs and Varde Partners consortium in RattanIndia Power Ltd. - the energy sector appeared on the PE deal board with 15% of investments values and only 3% of deal volumes.
- Start-up and e-commerce sectors dominated both investment volumes by 71% and values with 49% during Q1 2020. While more mature companies in the e-commerce sectors attracted investors attention in the travel, transport and logistics, retail and fin-tech segments, young companies in the start-up sector continued to garner investments in the fin-tech, ed-tech, retail and enterprise application and infrastructure space.
- Besides the above mentioned sectors, Q1 2020 recorded investments over USD 100 million across banking, education, transport and logistics, automotive and real estate sectors.
- The Q1 2020 also witnessed some traction in IT, retail and consumer, hospitality, media, pharma, aerospace and defence, agriculture and forestry sectors.

Key sectors

Notable sectors	Volume	USD million
Start-up	134	985
E-commerce	21	1,442
IT and ITES	11	174
Banking and financial services	10	509
Retail and Consumer	9	53
Energy and natural resources	7	728
Education	6	229

Deal of the month: M&A

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

Sector: Infrastructure management

Acquirer

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

Target

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

Rationale

This deal is seen as a move that will help GAL reduce its debt burden. The deal values GAL at the base post-money valuation of over USD 3 billion.

As part of the deal, the first tranche of USD 729 million will be received by GMR Group immediately. This money will help deleverage the group further and result in improved cash flows and profitability. Out of the total amount, USD 1.36 million would be towards secondary sale of shares by GMR group and USD 139 million would be equity infusion in GAL.

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

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

Deal of the month: PE

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

Sector: E-commerce

Investor

SoftBank Vision Fund, a subsidiary of SoftBank, invests USD 100 million or more in leading growth-stage companies.

RA Hospitality Holdings is most likely a joint venture company backed by SoftBank and one or more financial institutions with Ritesh Agarwal as a key shareholder.

Investee

Oravel Stays Private Limited, OYO Rooms is world's leading chain of hotels, homes, and spaces. The portfolio combines fully-operated real estate comprising of more than 43,000 hotels with over 1 million rooms. Through its vacation homes business, the company offers travellers and city-dwellers access to over 130,000 homes around the world. OYO today operates in over 800 cities, in 80 countries.

Comments

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

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

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

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

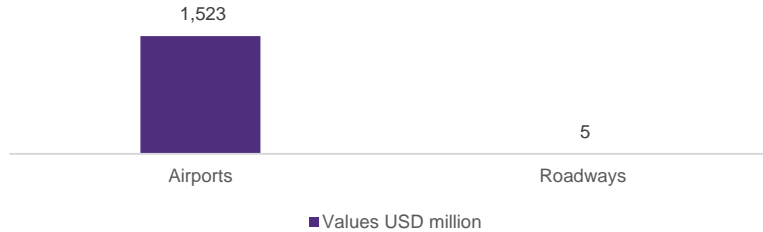
Sector of the quarter – M&A

Values



Infrastructure management

- While the airport segment witnessed largest deal for the quarter in ADP acquiring GMR Airports, the quarter also saw NBCC's acquisition of Jaypee Infratech Ltd., pushed by an IBC.

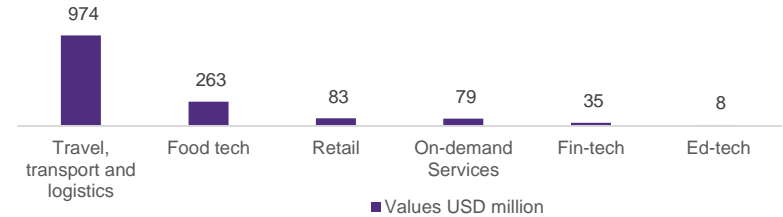


Sector of the quarter - PE



E-commerce

- The e-commerce sector raised increased growth stage capital with average deal size recording USD 69 million, the highest average recorded for first three month since 2011.
- Travel, transport and logistics segment remained the hot-spot in Q1 2020 with highest deal values and volumes within the e-commerce sector.

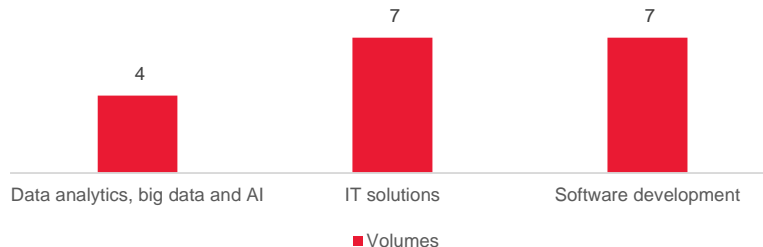


Volumes



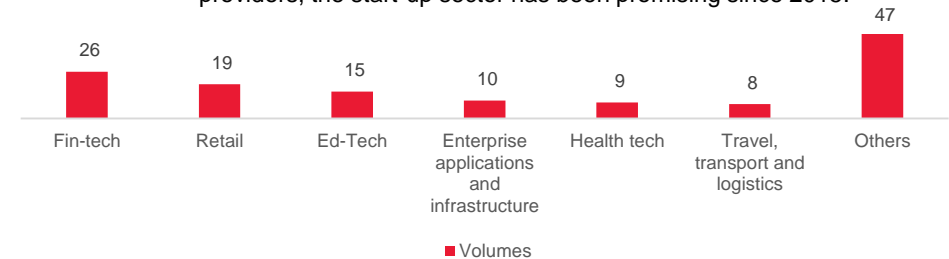
IT and ITes

- IT solutions and software development segments were at the forefront in deal activity in the IT sector due to widened scope and increased application on account of new innovations and improved/customised product developments.



Start-up

- Fin-tech, retail and ed-tech remained consumer-centric segments and attracted investors' attention with differentiated product offerings.
- From a wide range of new payment processors and innovative fraud prevention companies to new blockchain technology providers, the start-up sector has been promising since 2015.



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