

M&As in bear grip: Deal value falls to eight-year low in '23

Plummets 69.1% year-on-year in the first nine months of 2023 to \$50.8 billion

DEV CHATTERJEE
Mumbai, 27 September

The value of merger and acquisition (M&A) transactions in India has plummeted by 69.1 per cent year-on-year (Y-o-Y) in the first nine months of 2023 to \$50.8 billion (until September 25). This decline could be attributed to bearish investor sentiment amid rising global interest rates and geopolitical volatility. The value of M&A deals thus far in CY23 is the lowest in the past eight years, according to data from Bloomberg.

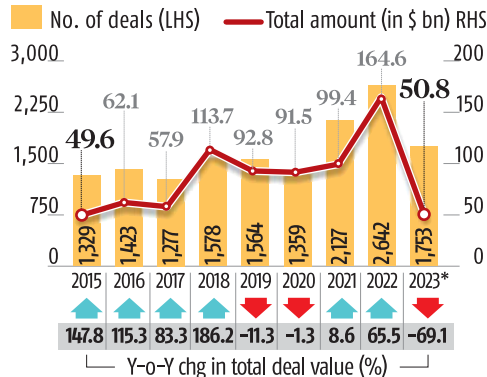
In the first nine months of 2022, significant transactions, such as the all-stock merger of HDFC Limited into HDFC Bank and the Adani family's \$6.5 billion acquisition of Ambuja Cements from Holcim, boosted M&A value to a record high of \$164.6 billion. However, deal-making in India has considerably slowed this year. The top deal of this year so far is the Canada Pension Plan Investment Board's purchase of an additional stake in Renew Power for \$4.03 billion, according to the data.

According to bankers, global private equity firms, which have \$3-4 trillion of investible funds, are eyeing opportunities in technology, energy transition, and infrastructure for investments in India. They have \$100-150 billion of funds focused solely on India. Among large transactions on the anvil is the sale of shares by Cipla promoters, which may cost the acquirer as much as \$7 billion. Despite the slowdown, bankers note that India remains the only market globally where valuations have not corrected significantly. "We're one of the most expensive markets in the world in both public and private space but even then, we are seeing capital being deployed here. The investments are slower and that's in line with what's happening globally," said Manisha Girotra, CEO of Moelis India in a recent interview.

This year also witnessed a sharp uptick in share sales in listed stocks by investors, a trend likely to continue. Bankers highlight that many companies listed in the past 3-5 years have high institutional shareholding, making sell-downs an attractive exit route for private market investors and boosting investor confidence for future deals. Sell-downs enhance liquidity, deepen equity markets and reduce impact costs. This trend has been continuing since last year amid exits by private equity investors via tech IPOs. "The only difference is a shift in the sectors where these sell-downs are taking place. While 2022 saw sell-downs largely in tech stocks, this year's sell-downs are more diversified across a number of sectors," said S Ramesh, MD & CEO of Kotak Investment Banking.

According to Aurojyoti Bose, lead Analyst at GlobalData, an analytics firm, deal-making sentiment has been dampened due to escalating geopolitical tensions, economic uncertainties, and fears of a recession.

NUMBERS GAME



Note: *Data till Sept 25; deals include M&As and investments
Source: Bloomberg

TOP M&As IN 2023

Announce date	Target	Acquirer	Amount (\$ bn)
March 3	ReNew Energy Global	Canada Pension Plan Investment Board	4.04
March 21	IDFC First Bank	IDFC	2.39
July 4	Genus Power Infra's smart metering venture	GIC	1.99
April 7	Manipal Health Enterprises	Temasek Holdings	1.50
June 20	HDFC Credila Financial Services	ChryCapital Management, EQTAB	1.26

Source: Bloomberg

Startup funding dips to lowest in 5 yrs in Q3 to \$1.5 bn, says report

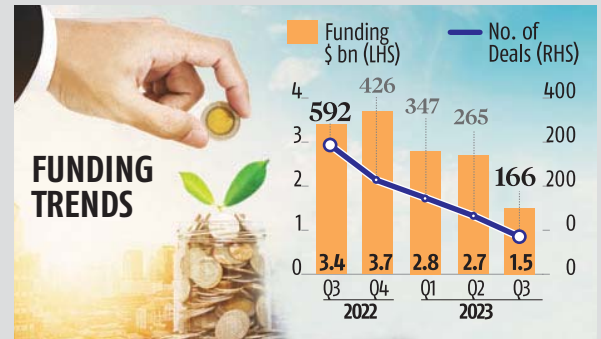
ARYAMAN GUPTA
New Delhi, 27 September

Funding among Indian startups declined to the lowest in five years in the third quarter of calendar year 2023. Investments fell 54 per cent compared to the same period last year at \$1.5 billion. On a sequential basis, funding fell 29 per cent from the previous quarter, according to a report by market intelligence platform Tracxn.

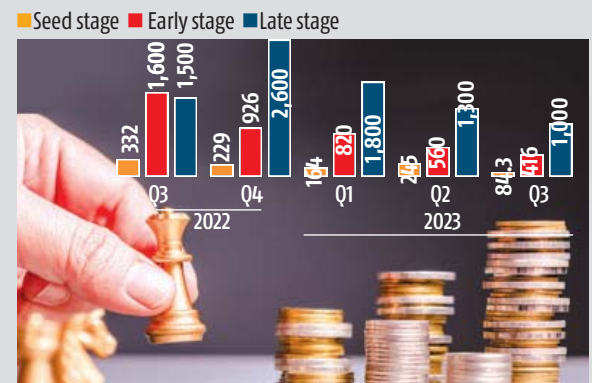
"Despite facing the challenges of a funding winter, India ranks as the fifth highest funded country in Q3 2023 and maintains its fourth-place position in terms of total funding for the year to date (YTD). It underscores the resilience of India's tech startups and their ability to adapt to changing market conditions," said Neha Singh, co-founder, Tracxn.

The quarter saw five funding rounds cross the \$100 million mark, including the likes of Perfios, Zepto, Ola Electric, Ather Energy and Zyber 365.

"Despite the decline in funding, India remains among the top-performing tech ecosystems globally. A promising sign in the report is the month-on-month funding growth, with an impressive 91% increase from \$376 million in August 2023 to \$720 million in September 2023.", said Abhishek Goyal, co-founder, Tracxn.



STAGE-WISE FUNDING TRENDS (\$ mn)



Source: Tracxn