Dealtracker

Providing M&A and Private Equity Deal insights

Half-yearly issue (H1 2018)
Volume 14.6

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Please note that the criteria used to define start-ups include a) the company should have been incorporated for five 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

Prashant Mehra

Partner
Grant Thornton India LLP

On the back of a stable economy, and continued efforts by the government to remove regulatory hurdles and attract foreign investment, 2018 so far has turned out to be a breakthrough year for the country. In H1 2018, there were over 600 deals worth $75 bn, the highest half-yearly value, with the value almost doubling from the same period last year. This 2x growth in deal value with muted volumes is on account of the big-ticket consolidation across sectors, with the year recording 10 billion-dollar deals capturing 74% of the total deal values.

Deal makers recorded over 200 M&A transactions valued at over $65 bn, a growth of more than 2x compared to the same period last year. The deal value momentum was more pronounced on the domestic front due to the favourable local deal environment, with 140 transactions valued at $41 bn being recorded. This surge in the deal activity was driven by companies' focus on scale and market expansion, heightening competition and optimisation of capital structures. Domestic deal activity is likely to rule the overall M&A market, with asset sales and debt reduction deals coming to the forefront as the IBC speeds up the resolution process of distressed cases. The year also recorded the highest cross-border values since H1 2011 ($27 bn), growing by over 5.8x to $25 mn compared to H1 2017.

The telecom sector led M&A activity in H1 2018 in terms of value, largely due to two billion-dollar consolidations in the towers and infrastructure segment: the Bharti-Indus merger ($14.6 bn) and the Reliance Jio-RCom merger ($3.8 bn). E-commerce followed the chart with the Walmart-Flipkart deal ($16 bn), the largest inbound deal in this sector till date. Other key sectors that received attention were start-ups, IT and manufacturing. We expect an increased appetite to undertake disruptive deals across sectors, with digital transformation being the key driver.

For Private Equity (PE), the first six months of the year emerged as record-breaking, with PE deals valued at over $9 bn, a strong 12% increase over H1 2017. It was largely characterised by large-value deals (value greater than $100 mn) mainly due to increasing exposure of pension funds, sovereign wealth funds and global buyout funds in India. We expect this momentum to continue on account of increased competition, massive amount of dry powder available to be deployed and encouraging government initiatives like incubation of tech funds among others.

After a continuous drop in investments since H1 2015, the real estate sector saw notable activity in terms of deal value. It recorded the highest investments ($2 bn), followed by the start-ups, energy and banking sectors.

A brighter corporate earnings outlook and stability in equity markets were the key drivers of improved IPO sentiment in India. H1 2018 saw 19 IPOs raising $3.8 bn. The country's IPO ecosystem is evolving at a rapid pace, with several companies looking to list within 2018. Financial sector, infrastructure and consumer companies with strong growth continue to be favourable for increased IPO activity. The Securities and Exchange Board of India's recent announcement of reducing the number of years of financial information required from five to three years will provide an impetus to IPO activity.

The various reforms of the government, such as GST, RERA, Housing for All and IBC, had a visible positive effect in the first half of 2018. However, it would take some time to realise the full benefits of these reforms. We also expect near-term returns from the Housing for All scheme (which would have a multiplier effect across the value chain) and PSU bank recapitalisation (which would support credit growth) along with NPA resolutions. M&A is further expected to pick up given the IBC amendments recently passed by the Parliament as several distressed assets come up for sale at attractive valuations. This is especially true for capital-intensive sectors such as real estate, infrastructure, power and cement.

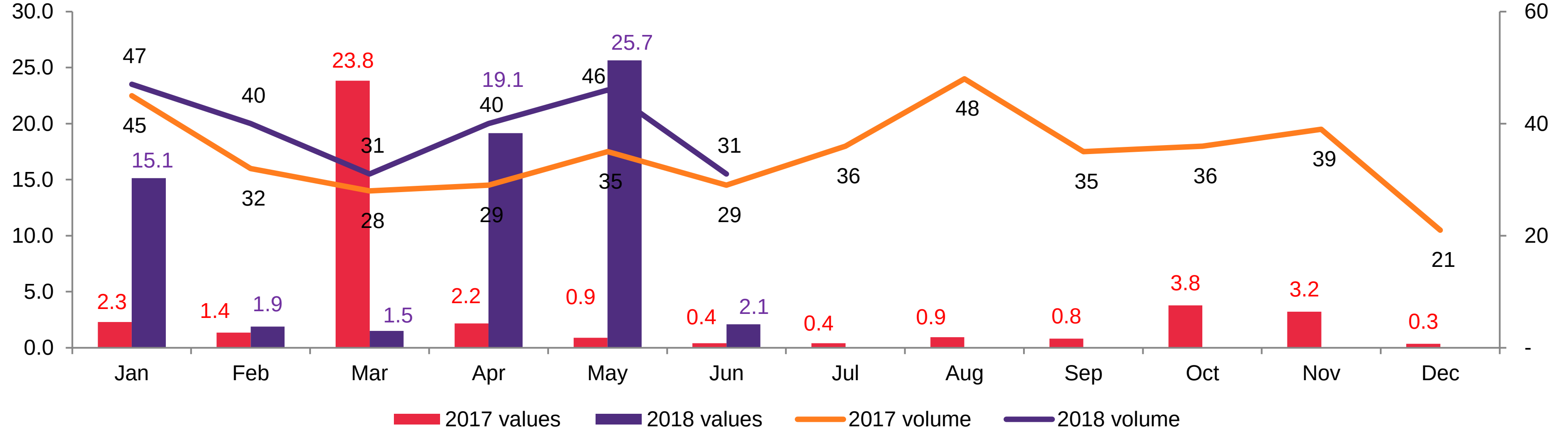
A good capital market and strong regulatory reforms, including the insolvency law, are signs of depth and maturity, and this makes the Indian market more attractive.

H1 2018: Deal snapshot

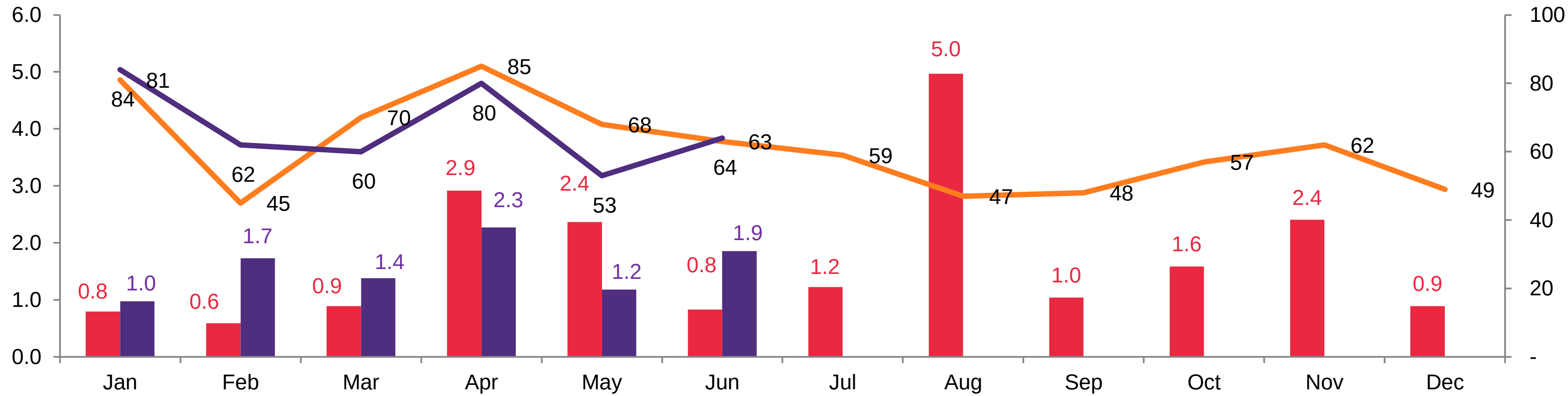
H1 2018 - Deal snapshot

H1 2018 recorded 638 deals aggregating to $74.8 bn with average deal size of $117 mn – the highest H1 values ever recorded

M&A snapshot



PE snapshot



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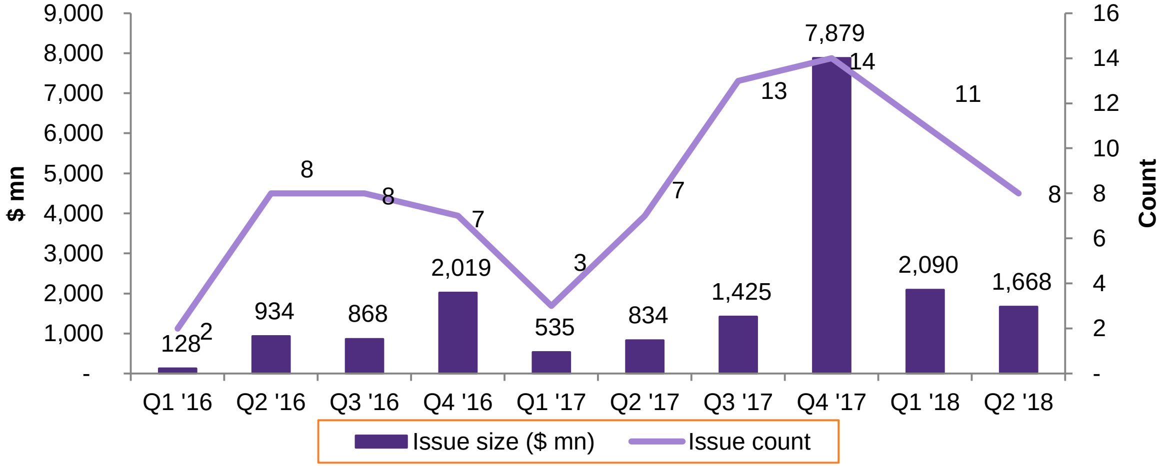
H1 2018 - IPO and QIP activity

$3.8 bn raised across 19 IPOs with values increasing by 2.7x over H1 2017; Bandhan Bank's IPO highest at $699 mn

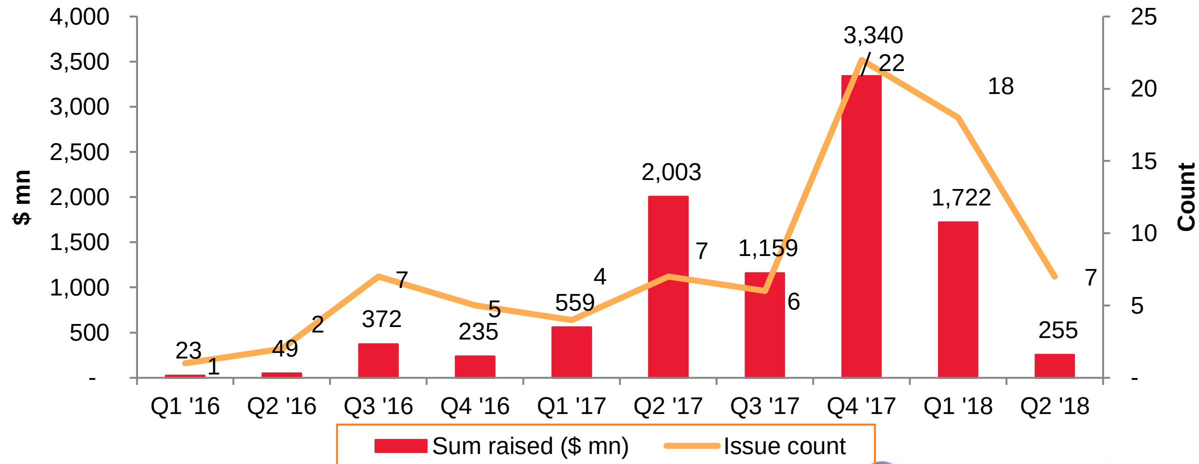
IPO snapshot



- Brighter corporate earnings outlook and stability in equity markets are improving the sentiment for initial public offerings in India, with 19 IPOs raising $3.8 bn. With the IPO ecosystem evolving at a rapid pace and several companies looking to list within 2018, we expect to see increased activity in the coming months.
- The biggest public issue was floated by Bandhan Bank ($699 mn) followed by Hindustan Aeronautics Limited ($661 mn) and ICICI Securities Ltd ($618 mn).
- The top sectors that raised IPOs in H1 2018 were manufacturing, with seven companies raising $0.6 bn, followed by banking, with three companies raising $1.6 bn.

25 companies raised $2 bn – a 23% drop over the amount raised in H1 2017; number of companies raising IPOs increased 2.3 times

- 25 Indian firms mobilised approximately $2 bn by issuing shares to institutional investors during H1 2018, a 23% drop from H1 2017. The funds were mobilised for business expansion, refinancing of debt, working capital requirements and other general corporate purposes.
- Notable big ticket QIPs witnessed this year included Idea Cellular Ltd ($547 mn), Housing Development Finance Corporation Limited ($296 mn), Jindal Steel & Power Limited ($188 mn) and L&T Finance Holdings Limited ($156 mn).
- Banking and telecom sector companies raised 60% of total capital through this route on the back of four big ticket transactions.



QIP snapshot

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Deal round-up

H1 2018

Deal summary	Volume			Value ($ mn)		
Year to date - June	2016	2017	2018	2016	2017	2018
Domestic	150	105	129	8,201	3,433	23,482
Cross-border	98	84	95	7,035	4,191	24,510
Merger & Internal Restructuring	11	9	11	580	23,318	17,459
Total M&A	**259**	**198** ↑ 19%	**235**	**15,816**	**30,942** ↑ 112%	**65,451**
Private Equity	499	412 ↓ 2%	403	5,920	8,380 ↑ 12%	9,397
Grand Total	**758**	**610** ↑5%	**638**	**21,737**	**39,322** ↑ 90%	**74,848**
Cross-border includes						
Inbound	44	44	51	3,920	3,369	21,408
Outbound	54	40	44	3,115	822	3,102

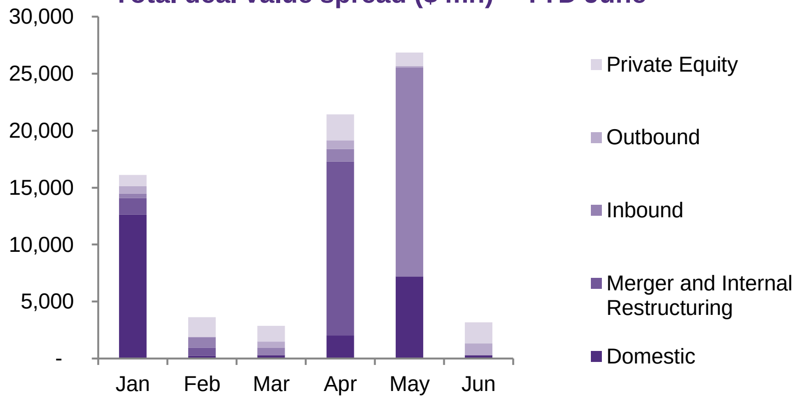
Big ticket consolidations driving the deal activity

- The year so far has witnessed deals worth $74.8 bn (638 deals), with values more than doubling from the levels seen in H1 2017. Key growth drivers for the deal activity continue to be big ticket consolidation (domestic and inbound) supported by high-value private equity investments.
- So far, there have been 10 deals valued in the billion-dollar category and 52 deals valued and estimated at and above $100 mn, which together contributed to 93% of the total deal values.
- India Inc's M&A values recorded a whopping 112% increase over H1 2017 on the back of 10 billion-dollar deals, which contributed to 84% of total M&A values.
- PE investments witnessed a strong 12% growth in investment values on account of increased big ticket investments. These included 26 investments garnering $100 mn and above and 17 investments attracting funds in the range of $50mn-$99mn each this year, together contributing 78% of PE investment values. The average deal size increased form $20 mn in H1 2017 to $23 mn in H1 2018.
- Sectors like e-commerce, telecom, energy, manufacturing, infrastructure, banking and real estate attracted big-ticket transactions and investments during H1 2018.

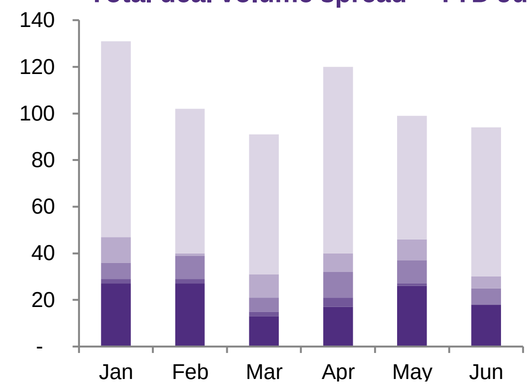
Quick facts

- H1 2018 pumped in a record $74.8 bn across 638 deals, highest values recorded till date for the first six-month period. This period also saw the highest M&A and PE deal values recorded individually compared to previous years.
- 2018 recorded the highest H1 cross border values since H1 2011 ($27 bn), with deal activity recording an increase of over 5.8x in deal values compared to H1 2017.

Total deal value spread ($ mn) – YTD June



Total deal volume spread – YTD June



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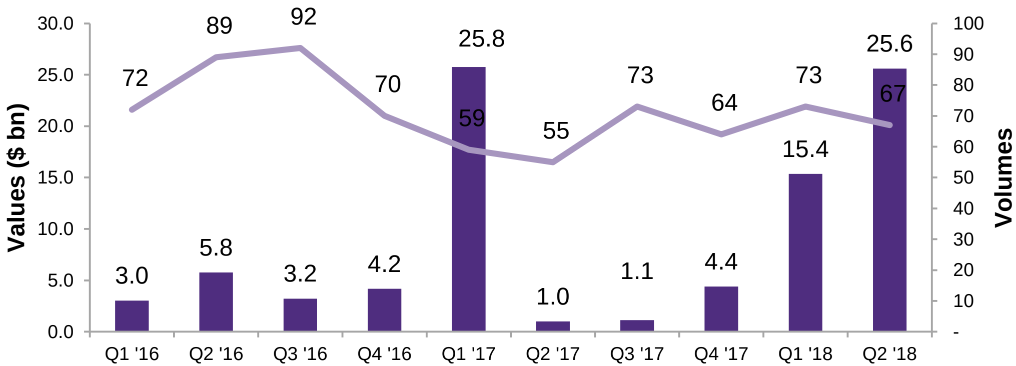
M&A dealscape

- Domestic deal trends
- Inbound deal trends
- Outbound trends
- Sector focus
- Top 10 deals highlights
- Deal spotlight
- Expert speak on merger and acquisition outlook

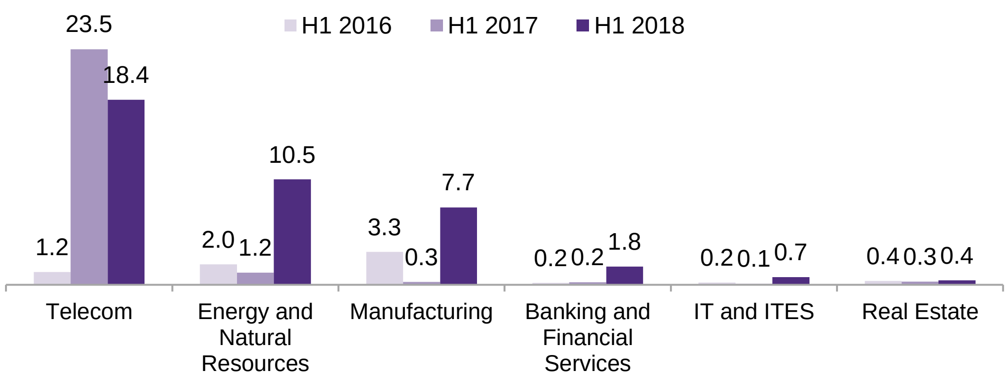
Domestic deal snapshot

Domestic deal activity recorded a 65% jump in the deal values, driven primarily by consolidation in the telecom and energy sector

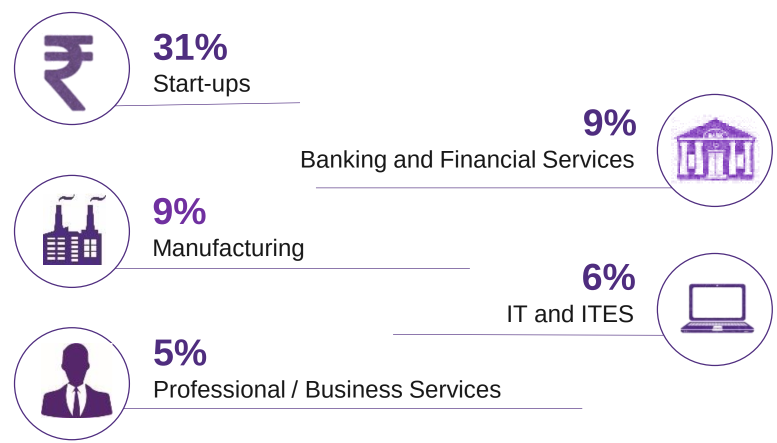


- Driven by a stable economy and positive deal market fundamentals, the first half of 2018 witnessed significant consolidation in the domestic space with around 140 transactions amounting to $41 bn. The deal values were 1.5x higher (y-o-y) compared to H1 2017.
- The Bharti Infratel-Indus towers mega merger, which is valued at $14.6 bn, along with seven other big ticket deals in the billion-dollar category contributed to the surge in the transaction values. These deals alone contributed to 90% of total domestic deal values, consequently increasing the average domestic deal size.
- Q2 2018 marked the second best quarter so far after Q1 2017, on the back of big ticket consolidation in the telecom, manufacturing and energy sectors with the effort to capitalise on synergies, pare debt and capture the market share.

Sector trends based on deal value ($ bn)

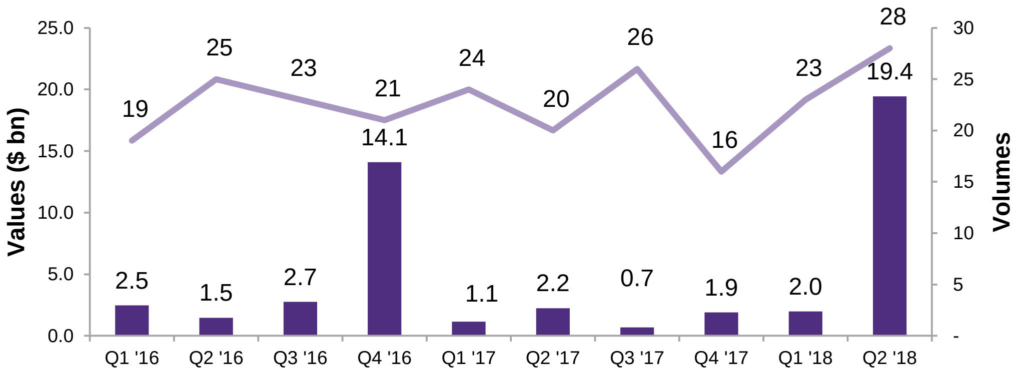


Share of top sectors by deal volume in H1 2018



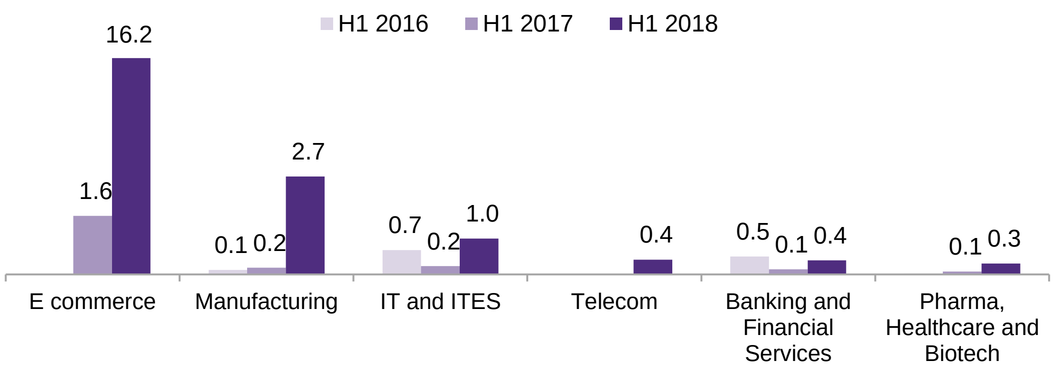
Inbound deal snapshot

Inbound deals recorded the highest deal values for the Jan-June period, dominated by the Walmart-Flipkart deal

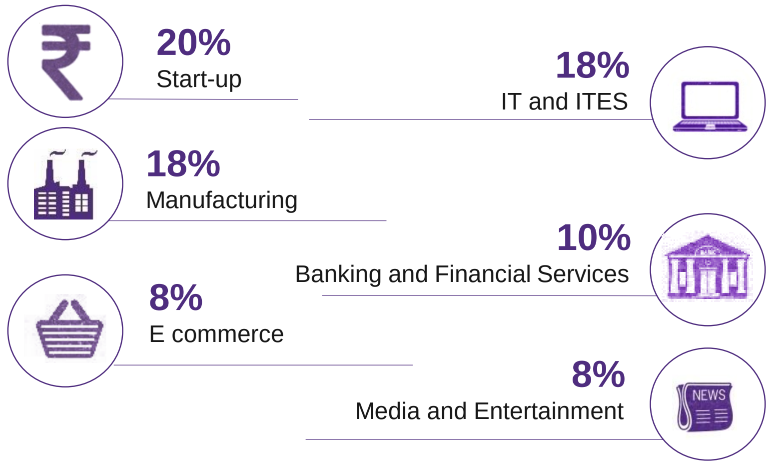


- Inbound deal activity witnessed a whooping 6.4 fold increase in the deal values compared to H1 2017, primarily driven by the Walmart-Flipkart deal valued at $16 bn. However, barring this deal, the year still witnessed a strong growth of 61% over same period last year.
- Contrary to H1 2017, this year saw investments primarily coming from the US ($17.6 bn), France ($2.1 bn) and Singapore ($0.5 bn) together contributing to 94% of total inbound deal values.
- H1 2018 witnessed two billion-dollar deals and 11 deals valued at and over $100 mn each compared to 12 deals valued at and over $100 mn in the corresponding period last year, indicating increased average deal sizes.
- Sectors like start-ups, IT and ITES and manufacturing attracted overseas investors' attention witnessing increased deal activity, contributing to 56% of total inbound deal volumes, while e-commerce and manufacturing attracted large ticket investments.

Sector trends based on deal value ($ bn)

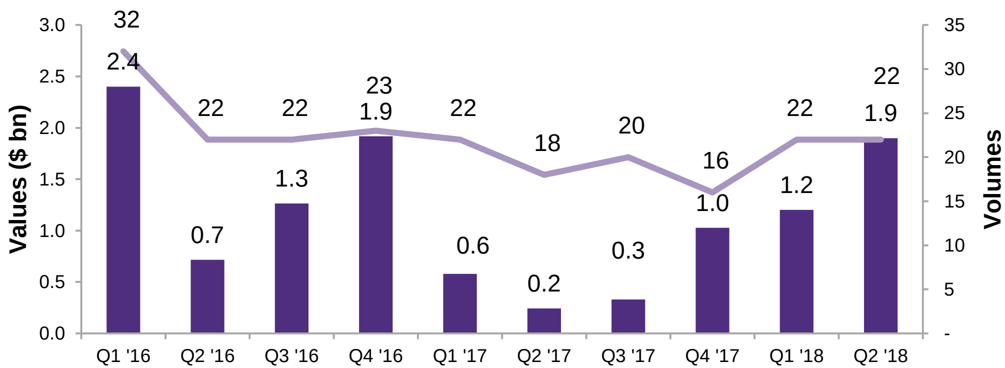


Share of top sectors by deal volume in H1 2018



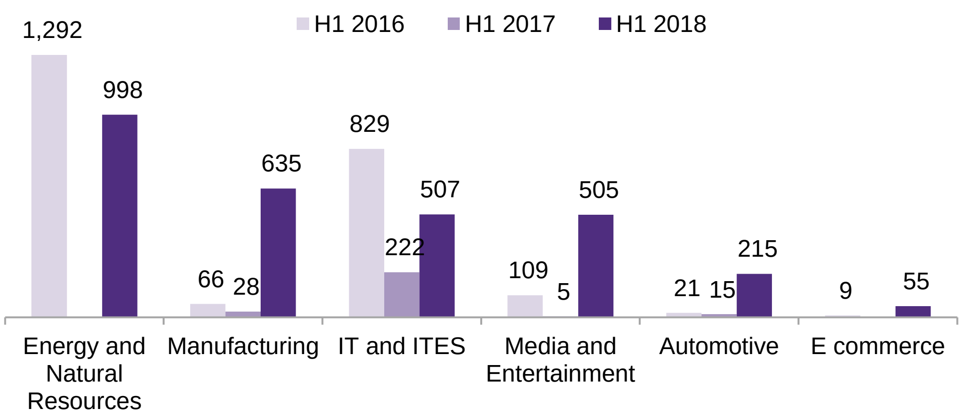
Outbound deal snapshot

Outbound deal values bounced back from their lowest recorded levels since 2011 in H1 2017, with a 3.7x increase in H1 2018

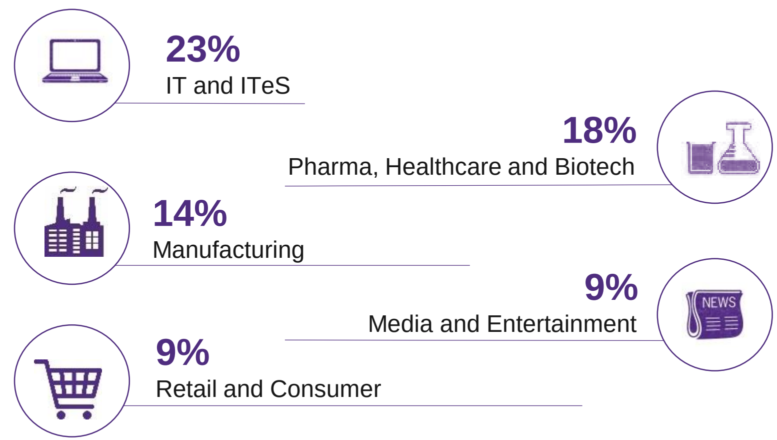


- Outbound deal activity saw a significant increase in deal activity with recorded values of $3.1 bn (277% increase) from 44 deals (10% increase). This was driven by companies with strong balance sheets expanding overseas to increase their market reach and establish themselves in the global market.
- H1 2018 saw Indian companies betting on technology, pharma and manufacturing, which witnessed maximum activity together contributing 55% of deal volumes. The US and Singapore were the largest recipients of investment, accounting for 68% of outbound deal values.
- The year witnessed six big ticket deals valued over $100 mn each and nine deals valued between $50 mn and $99 mn, contributing to 92% of the total outbound deal values.
- The top transactions in this segment were Greenko's acquisition of Orange Renewable Power for $922 mn, Jio Music's acquisition of Saavn for $330 mn and HCL and Sumeru Equity Partners' acquisition of Actian Corp for $330 mn.

Sector trends based on deal value ($ mn)

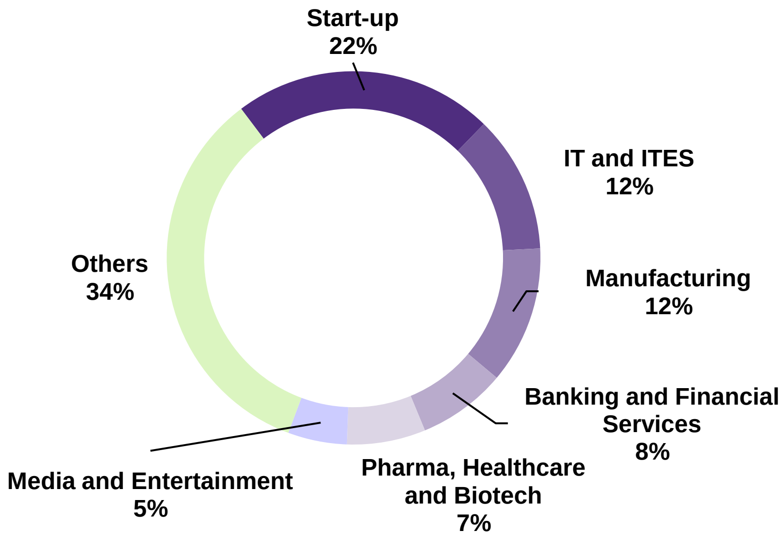


Share of top sectors by deal volume in H1 2018

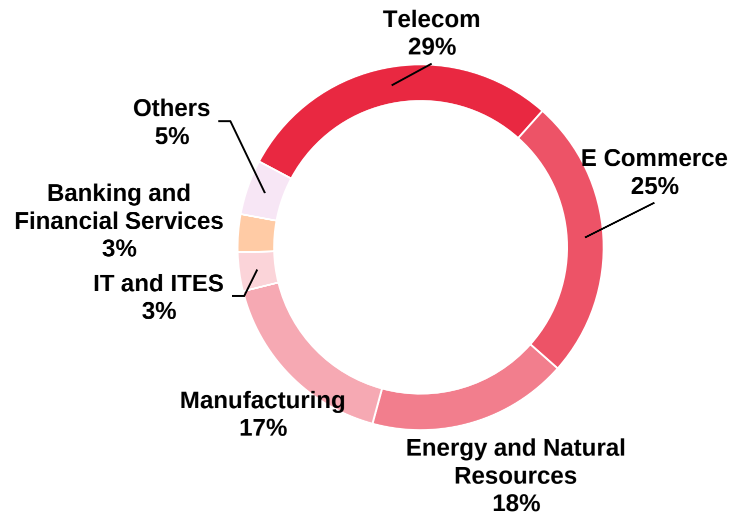


M&A sector spotlight

Top sectors based on deal volume



Top sectors based on deal value



Notable sector trends

- Telecom led the deal activity, accounting for 29% of total deal value driven by two deals in the billion-dollar category n the towers and infrastructure segment.
- Start-up led the deal volumes, with 53 driven by revived domestic investors interest in the fintech segment followed by the discovery platform space.
- The year have so far has seen successful resolution and takeover of 2 large cases out of the initial 12 cases recommended by RBI - Bhushan Steel Limited and Electrosteel Steels Limited.
- H1 2018 witnessed some marquee deals: ReNew Power Ventures – Ostro Energy ($1.7 bn), which was the biggest ever deal in the Indian renewable energy sector; DLF –Haryana State Industrial & Infrastructure Development (Udyog Vihar) ($230 mn), which was the single-highest bid for any site in Haryana; and Fairfax – Catholic Syrian Bank ($188 mn), which has sets the stage for the first ever takeover of a bank by a foreign institution.

Key sectors

Notable sectors	Volume	Value ($ mn)
Start-up	53	287
IT and ITES	28	2,244
Manufacturing	28	11,061
Banking and Financial Services	18	2,190
E commerce	11	16,316
Energy and Natural Resources	8	11,590
Telecom	5	18,863

Top 10 deals highlights– H1 2018

Top 10 deals accounted for 84% of the total M&A deal values in H1 2018

Top M&A deals- H1 2018						
Acquirer	**Target**	**Sector**	**Value ($ mn)**	**Deal type**	**% stake**	**Domestic/ Cross-border**
Walmart Inc	Flipkart Online Services Pvt Ltd	E commerce	16,000	Majority Stake	77%	Inbound
Bharti Infratel Ltd	Indus Towers Ltd	Telecom	14,600	Merger	N.A.	Merger and Internal Restructuring
Oil and Natural Gas Corporation Ltd	Hindustan Petroleum Corporation Ltd	Energy and Natural Resources	5,780	Controlling Stake	51%	Domestic
Tata Steel Limited	Bhushan Steel Limited	Manufacturing	5,515	Controlling Stake	73%	Domestic
Reliance Jio Infocomm Ltd	Reliance Communications Ltd	Telecom	3,750	Acquisition	N.A.	Domestic
Adani Transmission Ltd	Reliance Infrastructure Ltd - Mumbai power business	Energy and Natural Resources	2,938	Acquisition	100%	Domestic
Schneider Electric SA	Larsen & Toubro Ltd - electrical and automation business	Manufacturing	2,121	Acquisition	100%	Inbound
ReNew Power Ventures Private Limited	Ostro Energy Pvt Ltd	Energy and Natural Resources	1,662	Acquisition	100%	Domestic
IDFC Bank Ltd	Capital First Ltd	Banking and Financial Services	1,460	Merger	N.A.	Merger and Internal Restructuring
UltraTech Cement Ltd	Century Textiles and Industries Ltd - Cement Business	Manufacturing	1,306	Acquisition	100%	Domestic

In the spotlight: M&A deals of H1 2018

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

Sector: E commerce

Acquirer	Target
Walmart Inc is largest retailer in the world. Each week, nearly 270 mn customers and members visit more than 11,700 stores under 65 banners in 28 countries and E commerce websites. With fiscal year 2018 revenue of $500.3 bn, Walmart employs approximately 2.3 mn associates worldwide.	**Flipkart Online Services Pvt Ltd** is an E commerce company with 100 mn registered users, 10 mn daily page visits and a platform which enables 8 mn shipments per month. It has 100,000 sellers and 21 warehouses across India. It is India's leading ecommerce marketplace with over 80 mn products across 80+ categories.

Rationale

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

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

Binny Bansal, Flipkart Group CEO, said, "This investment will help fuel our ambition to deepen our connection with buyers and sellers and to create the next wave of retail in India."

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

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

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

Sector: Telecom

Acquirer	Target
Bharti Infratel Limited provides telecom tower infrastructure services. The company acquires, builds, owns and operates towers and related infrastructure for wireless telecommunication service providers. As of 31 March 2017, it owned and operated 39,099 towers and 89,263 co-locations in 11 telecom circles in India.	**Indus Towers Limited** is one of the largest telecom tower companies with over 1,23,639 towers across 15 telecom circles. It constructs and operates telecom towers. It provides shared telecom infrastructure services to various telecom operators in the wireless space and other wireless service providers, such as broadband service providers.

Rationale

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

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

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

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

Expert speak on M&A outlook

Sumeet Abrol
Partner
Grant Thornton Advisory Private Limited

H1 2018 carried forward the deal momentum of the previous year with 638 M&A and PE deals, totalling a staggering $74.8 bn in value, as against $60.9 bn for the full year 2017. Record levels of deal values in H1 2018, when seen in conjunction with $3.8 bn of incremental capital being raised through 19 new issues in the IPO market, point to a clear buoyancy in investment sentiment established last year.

2018 so far has also been a period of mega deals with over 10 M&A transactions over $1 bn compared to 2 in the same period last year. The mega deal making was marked by Walmart's $16 bn acquisition of Flipkart and Bharti Infratel's $14.6 bn merger with Indus Towers. Walmart's late stage buyout of Flipkart underscores visible maturity in the E commerce ecosystem and is expected to strengthen the investment sentiment in E commerce and start-ups.

Manufacturing, banking and financial services and IT/ITES were other sectors with visibly increased levels of activity in H1 2018 – Schneider Electric's $2.1 bn buyout of L&Ts Electricals and Automation business bearing the flag for manufacturing, which saw deal values of $11.1 bn across 28 M&A transactions, a 5x increase over average deal values of the same period in the previous 2 years. Deal values in BFSI jumped from $400 mn in H1 2017 (8 deals) to $2.2 bn in H1 2018 (18 deals).

Telecom continued to consolidate in line with the trend over the last 2 years with 5 completed deals valued at $18.9 bn.

Energy and natural resources (including cleantech) was the other sector which saw a significant jump in deal values with a couple of large transactions in the billion-dollar-plus category – Adani Transmission's $2.9 bn acquisition of Reliance Infra's Mumbai power assets and ReNew Power's $1.7 bn acquisition of Ostro Energy (Wind Energy) were some notable transactions in this space.

Automotive and pharma and healthcare remained subdued with limited activity in H1 2018, with overall deal values of $244 mn in automotive and $407 mn in pharma and healthcare.

The Insolvency and Bankruptcy Code 2016 (IBC) was the other material trigger of deal activity. While H1 2018 saw limited completed resolutions with Tata Steel's $5.5 bn acquisition of Bhushan Steel being the biggest in this category, this space is likely to see very significant deal traction in 2018 given several assets nearing the logical end of the resolution period stipulated under the Code. Steel, infrastructure and power are expected to be the key sectors driving deal activity in the insolvency space.

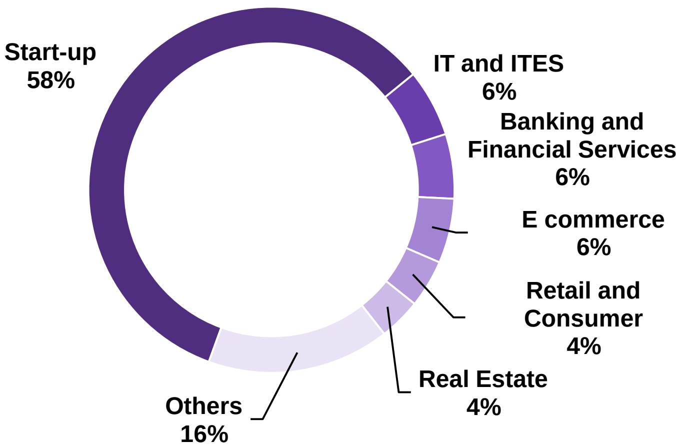
While we should expect to see a degree of caution in the deal-making environment in H2 2018 as the country moves closer to general elections, strong PE flows for buyouts and resolution of insolvent assets will keep deal activity in high momentum.

Private equity dealscape

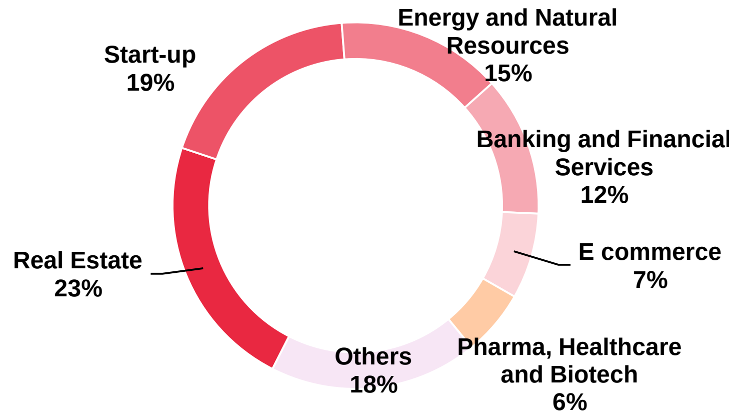
- Sector focus
- Top 10 deals highlights
- Deal spotlight
- Notable PE exits
- Expert speak on PE trends

PE sector spotlight - H1 2018

Top sectors based on deal volume



Top sectors based on deal value



Notable sector trends

- In line with the trends in the last 7 years, H1 2018 was also dominated by investments in the start-up sector, which contributed to 58% of total investment volumes garnering $1.8 bn. Fintech attracted significant attention from investors with 52 deals, followed by healthtech, retail and enterprise solutions segments.
- Notable deals in the start-up space included BigBasket raising its largest fund till date in its Series E funding worth $300 mn, Swiggy raising its biggest ever funding round with $100 mn as part of its Series F funding and obtaining Unicorn status, Udaan raising $50 mn, which is one of the largest Series B funding rounds raised by any Indian start-up, and Pepperfry garnering $39 mn, which was the highest amount of capital raised by an e commerce furniture and home products company in India till date.
- This year witnessed Brookfired's $360 mn acquisition of Equinox Business Park, which was one of the largest transactions in India's commercial real estate sector, and WebEngage becoming the first Indian company to have raised capital via Social Capital's Capital-as-a-Service (Caas) vehicle.

Key sectors

Notable sectors	Volume	Value ($mn)
Start-up	236	1,756
IT and ITES	24	476
Banking and Financial Services	23	1,158
E commerce	23	711
Retail and Consumer	17	300
Real Estate	15	2,124
Energy and Natural Resources	10	1,370

Top 10 deals highlights – H1 2018

Top 10 investments accounted for 41% of the total PE deal values in H1 2018

Top PE deals- H1 2018				
Investor	**Investee**	**Sector**	**% stake**	**Value ($ mn)**
Blackstone Group Lp	Indiabulls Properties Pvt Ltd and Indiabulls Real Estate Company	Real Estate	50%	742
GIC, Greenko Ventures and Abu Dhabi Investment Authority	Greenko Energy Holdings Pvt Ltd	Energy and Natural Resources	N.A.	447
GIC	Exora Business Parks Limited	Real Estate	40%	406
SoftBank	Paytm E-commerce Private Limited - Paytm Mall	Start-up	N.A.	400
Lone Star Funds and RattanIndia Group	RattanIndia Finance Pvt Ltd	Banking and Financial Services	50%	400
Brookfield Asset Management Inc	Essar Group - Equinox Business Park	Real Estate	100%	360
Alibaba Group Holding Ltd, Sands Capital, International Finance Corp and Abraaj Capital	Innovative Retail Concepts Pvt Ltd - BigBasket.com	E commerce	N.A.	300
CPPIB and Allianz Capital Partners	IndInfravit Trust	Infrastructure Management	55%	280
Canada Pension Plan Investment Board	ReNew Power Ventures Private Limited	Energy and Natural Resources	N.A.	247
India Grid Trust (IndiGrid)	Sterlite Power Grid Ventures Ltd - RAPP Transmission Co, Kharagpur Transmission Co and Maheshwaram Transmission	Energy and Natural Resources	N.A.	220

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In the spotlight: PE deals of H1 2018

Blackstone acquires 50% stake in Indiabull's commercial properties (IPPL and IRECPL) in Mumbai for $742 mn

Sector: Real estate

Investor	Investee
The Blackstone Group L.P. is an American multinational private equity, alternative asset management and financial services firm. Blackstone specialises in private equity, credit and hedge fund investment strategies. The firm also provides financial advisory services to its clients.	**Indiabulls Real Estate** focuses on construction and development of residential, commercial and SEZ projects across major Indian metros. It had a gross development value of $5 bn and net worth of $856 mn as of 30 June 2017 and 15 ongoing projects with total saleable area of 33.91 mn sq ft under its wings. Further, it has commercial development with a leasable area of 3.15 mn sq ft under construction.

Comments

As part of the deal, Indiabulls Real Estate has executed a definitive agreement with Blackstone Group to divest 50% stake in its prime commercial properties in the megapolis at an aggregate enterprise value of $1.46 bn. It will be divesting 50% stake in Indiabulls Properties Pvt Ltd (IPPL) and Indiabulls Real Estate Company (IRECPL) for $742 mn.

Both the commercial projects have 4.2 mn sq ft of leasable space and are currently fully leased. Subject to certain customary conditions, the transaction is expected to be concluded by the end of the current financial year.

According to the development, substantial part of sale proceeds would be utilised towards repayment of existing debts of the company and its subsidiaries, and for achieving sustainable long-term growth and further strengthening of their ongoing businesses.

Greenko Energy raises $447 mn from GIC, ADIA and Greenko Ventures

Sector: Energy and natural resources

Investor	Investee
GIC Pte Ltd manages Singapore's foreign reserves. It is a global long-term investor with well over US$100 bn in assets in over 40 countries worldwide and invest across a range of asset classes in the public and private markets. **The Abu Dhabi Investment Authority** is a sovereign wealth fund owned by Emirate of Abu Dhabi for the purpose of making investments. **Greenko Energy Ventures Private Limited** operates as a subsidiary of Greenko Group PLC.	**Greenko Energy Holdings Pvt Ltd** is one of India's leading renewable energy companies, replacing fossil fuels with integrated decarbonised energy and grid assets. It has a net installed capacity of 3.2 GW across 13 states in India, and over 2 GW in pipeline soon to be operational.

Comments

As part of the deal, Greenko Energy Holding will raise primary equity of $447 mn: GIC will invest $316.1 mn and the ADIA entity will invest the remaining $79.3 mn, while Greenko Ventures will invest $52 mn. After this investment round, GIC will continue to maintain its majority stake in the company.

With the raised funds, the company aims to increase its power generation capacity to 5 GW by 2019.

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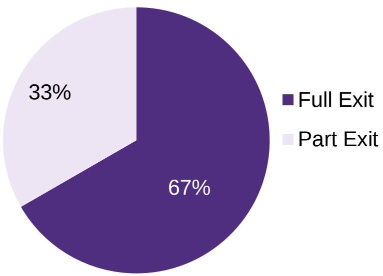
PE exits

PE investors unlocked $13.4 bn worth of investments in over 40 exits in H1 2018, suggesting confidence in the Indian market

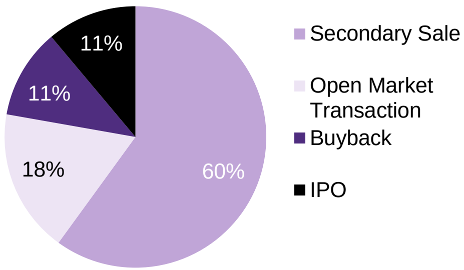
Private equity exits

Exit volumes (H1 2018)



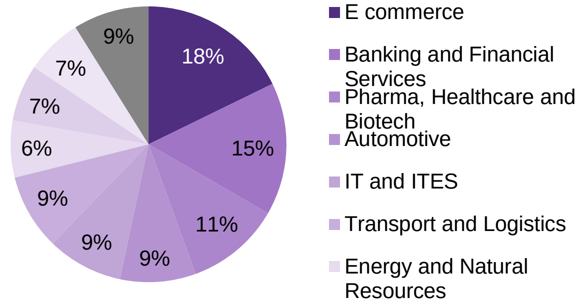
H1 2018 witnessed majority of the PE players cashing out their investments completely from their portfolio companies.

Exit route (H1 2018)



More than half of the PE players exited by sale to other private equity firms, followed by exit through bulk sales.

Key sectors exited (H1 2018)



A notable exit was witnessed in the e-commerce sector, with the Walmart-Flipkart deal marking the largest PE exit in H1 2018. Real estate, auto, IT, banking and energy sectors also saw top exits this year.

Investor exited	Investee companies	Sector	Exit %
Softbank, Tiger Global Management, Naspers, Accel India and Accel US	Flipkart Online Services Pvt Ltd	E-commerce	N.A.
Qatar Investment Authority (QIA) and Baring Private Equity Partners	RMZ Corp	Real Estate	46%
Tata Opportunities Fund	Varroc Engineering Ltd	Automotive	12.6%
Blackstone Group LP	Mphasis Ltd	IT and ITES	8%
Standard Chartered Private Equity	Sterlite Power Grid Ventures Ltd - RAPP Transmission Co., Kharagpur Transmission Co and Maheshwaram Transmission	Energy and Natural Resources	28.4%

Expert speak on PE investments

Vrinda Mathur
Partner
Grant Thornton India LLP

Supported by continuous improvement in the economic indicators and a push for reforms, 2017 went down as one of the strongest years for private equity funds and VC investments. Continuing this trend, 2018 saw further increase in fund sizes for most PE funds and funds continuing to chase large strategic deals. Additionally, the year also saw a continuous increase in majority stake and buyout deals.

PE and VC investors pumped in a record $9.4 bn across 403 deals in H1 2018 compared to $8.4 bn through 412 deals in H1 2017. Private equity funds and VCs witnessed higher number of deals in 2017; however, the cumulative investment pool was significantly higher in the first half of 2018. This increase in the investment values was marked by an increase in the deal sizes, increase in fund sizes, positive momentum in large-ticket deals and successful exits in the primary markets for private equity funds. This is also reflected in the year witnessing some very key large ticket investments, with 25 deals garnering cheque sizes greater than $100 mn each – twice that of H1 2017.

Contrary to H1 2017, real estate, start-up and energy sectors attracted the largest share of PE investments in H1 2018, together contributing 56% of investment values. Noteworthy deals in the real estate sector were Blacksone, GIC and Brookfield's acquisition of Indiabulls, Exora Business Parks and Equinox Business Park respectively. Investors have shown an unprecedented faith in start-ups, resulting in Paytm Mall, Swiggy and PolicyBazaar entering the Unicorn club. Owing to this, the start-up sector investment values doubled compared to H1 2017.

There was a marked increase in the number of PE exits via secondary sales (including IPOs), which saw a 68% increase in H1 2018 over H1 2017, suggesting confidence in the Indian market. BFSI and pharma were key beneficiary sectors of such activity.

E commerce saw a landmark deal in Flipkart's majority stake acquisition by Walmart for US$16 bn, providing not just exit avenues for existing investors but also the much needed confidence in India's tech-enabled consumer story.

Private equity firms with massive amounts of dry powder globally are now keenly looking at India for investment opportunities both for growth capital and in the buyout space. However, high valuations, competition from corporate acquirers, and increased political uncertainty around the upcoming 2019 general elections may result in investors exercising caution. Fund-raising is also seen as a higher priority for investors in 2018 for capitalising on available opportunities across sectors, with many expecting the environment to remain stable. Competition for deals is increasing, with growth in the number of participating funds and PE funds developing strong traction across sectors and regions. Sectors such as road infrastructure, consumer lending, fintech, healthcare, consumer goods and disruptive technologies will continue to attract strong investment. Moreover, the government has been providing lush ground for digitisation and tech investment through policy initiatives, by incubating tech funds with traditional banks and by initiating e-governance projects to digitise government services, attracting investment in ancillary industries like enterprise solutions.

The government's flagship scheme Ayushman Bharat Yojana, which is billed as the world's largest government funded healthcare programme, is expected to cause a paradigm shift in the healthcare sector. The National Health Agency (NHA), the apex body for implementation of this scheme has started empaneling public and private hospitals to achieve universal health coverage. This will eventually impact the economics and dynamics of hospitals and healthcare delivery providers and result in more consolidation in the sector and possible investment into the larger ecosystem involving insurance players, medtech etc.

Investor confidence in India grew as a result of regulatory action and government stimulus to address Non-Performing Assets (NPAs). A growing formal economy coupled with unification of taxation under the new GST regime is expected to open up investment avenues for global PE funds and buyout funds. As a result, corporate earnings may rebound from their recent lows over the short to medium term as the formalisation of India's economy starts to yield positive results. Private equity has consistently matured over the last decade, demonstrating its ability to ride the storms of economic turbulence, political uncertainty and increased public scrutiny and regulation.

Regulatory outlook

- IBC reforms
- Overall economic outlook

Expert speak on IBC reforms

Ashish Chhawchharia
Partner
GT Restructuring Services LLP

The IBC process further matured during the first half of the current calendar year (2018), which saw amendments to the Act and Regulations to streamline the process, improve resolution value, rationalise cost of resolution process and, most importantly, enable resolutions. The government had constituted a committee to recommend amendments required in the Code. The committee submitted its recommendations in April 2018. Some of the key recommendations have already been promulgated promptly by way of an Ordnance issued on 6 June 2018.

The Ordnance, among other things, addresses some of the pressing issues with respect to homebuyers, voting thresholds, eligibility of resolution applicants, interim finance and enforcement of guarantees etc. The intention of the government is to further strengthen the Insolvency Resolution Framework in the country and produce better outcomes in terms of resolution as opposed to liquidation, time taken, cost incurred and recovery rate.

The first half of this year saw a lot of legal battles which in some cases has benefitted the Committee of Creditors (CoC) by way increased resolution value, ie moving away from liquidation to fair value by considering larger base of stakeholders' interest. On the other hand, this has led to delays in initiation of the insolvency process. We saw successful resolution and takeover of 2 large cases out of the initial 12 cases recommended by RBI – Bhushan Steel Limited and Electrosteel Steels Limited. We also witnessed the positive impact of the recently amended law in another case – Alok Industries Limited – where the resolution plan was re-voted and resolution approved by the lenders, albeit with a lower voting threshold of 66%.

These successful instances have increased stakeholder confidence in the Code, including lenders, investors, employees and creditors. IBC presents a strong and real opportunity, an opportunity to pick up strategic stake in companies whose cash accruals are impacted more by economic and sectoral reasons but have the potential to augment their operations with requisite funding. The competitive process can run transparently and results are known in a time bound manner – a key ask for the vast community of investors.

More so, after RBI's recent circular of 12 February 2018 on managing stressed assets, in particular for companies with debt in excess of INR20 bn, the IBC process has received further impetus to emerge as a key debt resolution forum. This has opened up acquisition avenues across industry verticals that required realignment of debt with operations of the business (commonly referred to as the sustainable portion of debt).

Furthermore, the impact of RBI's recent refusal to soften its stand on the applicability of its recent circular (on stressed assets) on power assets is yet to be seen from a NPA management perspective if considered under IBC. The efficacy of IBC for non-cash generating companies or companies with insignificant tangible assets is yet to be proven.

Being proactive, the Insolvency and Bankruptcy Board of India (IBBI) has invited comments from public, including the stakeholders and the regulators, on the regulations already notified under IBC. Similar to the previous exercise last year, the main objective is to strengthen the Code with an inclusive approach.

We continue to support this important initiative of the government to improve India's Ease of Doing Business rankings.

Expert speak on overall economic outlook

Sridhar R
Partner
Grant Thornton India LLP

Economic reforms and indicators

The Indian economy gained momentum in the first three months of 2018, ensuring that it remained the world's fastest growing economy. The Gross Domestic Product (GDP) expanded at an annual rate of 7.3% in the first quarter of 2018, a touch faster than the 7.2% achieved in the last quarter of 2017. Industrial output grew at 7% during the first two months of 2018 before slowing down to 4.4% in the month of March.

During Q2 2018 (till the month of May), India's retail inflation jumped to a four-month high, primarily driven by a surge in global energy/oil prices. Oil prices hit a 3.5-year high last month due to worry of supply constraints, partly due to US President Donald Trump's decision to withdraw from the 2015 Iran Nuclear Agreement. A weakening rupee, which has shed 5.7% against the US dollar this year, is also a cause of concern. The dip in GST collections continued, attributed to corrections in the rates of goods and services by the GST rate fitment committee, glitches in stabilising the GST online return filing mechanism and delay in refunds relating to exports. The RBI responded by raising the repo rate for the first time since 2014, on 06 June 2018, by 0.25 basis points to 6.25% to keep a check on inflation.

On the positive side, there has been a lot of focus on infrastructural development. The government allocated INR5.97 lakh crores to infrastructural development in the Union Budget 2018. Indian exports exhibited positive growth during February 2018 at 4.48% in dollar terms over February 2017. Cumulative value of exports for the period April-Feb 2017-18 at $273 bn expanded by around 11% over the same period during 2016-17. Major commodity groups of export that recorded positive growth in February FY18 over the corresponding month of last year included petroleum products, organic and inorganic chemicals, drugs and pharmaceuticals, rice and electronic goods.

India's Current Account Deficit (CAD) stood at $13.5 bn accounting for 2% of GDP in the third quarter (October-December) of 2017-18, higher than $8 bn (1.4% of GDP) during third quarter of 2016-17 and US$ 7.2 bn (1.1% of GDP) in the preceding quarter. The widening of CAD on a year-on-year basis was the result of the increased trade deficit, which stood at $44.1 bn during the period.

Going forward, Consumer Price Index (CPI) linked inflation is expected to pick up to 4.6% average in fiscal 2019, from a forecast of 4% in fiscal 2018, owing to rising consumption demand and higher global crude oil prices. Upside risks to inflation, however, arise from three factors: (i) fiscal actions (such as higher Minimum Support Price (MSP) and higher pension out go based on the Seventh Pay Commission), which will exert higher influence on inflation, and (ii) firmer global oil and metal prices that will compel manufacturers to raise prices given improving domestic demand conditions. CAD is expected to expand from 0.7% of GDP in fiscal 2017 to 1.7% of GDP in fiscal 2018 and further to 1.9% of GDP in fiscal 2019 owing to import growth exceeding export growth. Higher CAD will exert pressure on the rupee as well. Despite higher CAD in the first half of fiscal 2018 on-year, the rupee appreciated owing to a surge in foreign capital inflows. However, going forward, capital inflows face risks from tightening of global liquidity and adverse global financial developments.

Tax and regulatory reforms

The first quarter of 2018 witnessed a continued recovery from the downturn that followed the abrupt demonetisation in November 2016 and the road bumps caused by the introduction of GST from 01 July 2017 as the GDP grew at a better-than-expected 7.7%. To provide a boost to the economy and facilitate ease of doing business, the government has constantly implemented major reforms in the tax and regulatory scenario.

In this article, we summarise some key developments which could impact the deal and M&A scenario in India:

Expert speak on overall economic outlook cont.

GST
Since the introduction of GST, the government has seen a see-saw swing in the revenue collection from Q2 2017 till Q4 2017. While the initial GST collections were encouraging in the first two months of Q2 2017, the government's decision to increase Compensation Cess (from 15% to 25%) for some sectors such as automobile resulted in a continuous dip in collections during Q3 2017.

GST on slump sale
The Karnataka Appellate Authority for Advance Ruling for GST has recently held that a transfer of business under 'going concern' constitutes 'supply of service', liable to be taxed at nil rate. In light of the above, it is concluded that as the transaction is 'nil' rated, transfer of business under 'going concern' will not be taxed under GST regime. However, the transaction will be required to be reported while filing GST return and hence can be taken for assessment by the regulator to ensure that the business transfer satisfies the 'going concern' test.

FEMA/FDI
The RBI notified the Foreign Exchange Management (Cross Border Merger) Regulations, 2018 on 20 March 2018. With the RBI notification in place, Cross Border Mergers (CBMs) have now become a reality. Deemed approval status to CBMs would facilitate curtailing a material process time for completion of the merger process and is a welcome move. The regulation has removed reference to demerger transactions, which formed part of the draft notification. This brings in consistency with the provisions of the Companies Act, 2013. Outbound merger makes its mark for the first time in the history of the Indian legislation. However, the issue of specific tax neutrality of such mergers remains a concern.

The DIPP, Ministry of Commerce and Industry (MoCI), vide Press Note 1 of 2018 dated 23 January 2018, issued a significant amendment with regard to FDI in the Single Brand Retail Trading (SBRT) sector. As per the amended Press Note, 100% FDI is now permitted under the automatic route in SBRT (subject to fulfillment of conditions) vis-à-vis the earlier restriction/cap of 49%.

The FDI policy now also permits a wholly owned subsidiary set up in India by a non-resident entity, operating in a sector where 100% FDI is permitted under automatic route with no FDI conditionalities, to issue shares or convertible debentures to the non-resident entity against pre-incorporation/pre-operative expenses incurred by the non-resident entity up to a limit of 5% of its capital or $500,000, whichever is less, subject to conditions.

Amendments to Companies Act
The Companies (Amendment) Act, 2017 was enacted on 03 January 2018. The amendments to sections falling in different Chapters are getting notified by the Ministry of Corporate Affairs in a phased manner. Some key reforms introduced include changes to definitions of 'associate/subsidiary' wherein the basis of such relationship is now voting power; permitting loans or advances or permitting guarantees to entities which have the presence of common directors or their relatives with prior permission of shareholders; related party transactions; changes to definition of residential directors; and omission of certain overlapping sections relating to insider trading and forward dealings in securities (as these are covered under SEBI) etc.

Income Tax

Tax rate for small companies
The Finance Act 2018 specified the tax rate for companies with total turnover for financial year 2016-17 of less than INR 250 crore be reduced from 30% to 25%. However, there is a marginal escalation in the tax rate due to replacement of the prevailing 3% education cess with health and education cess at 4% and the Minimum Alternate Tax (MAT) rate remains unchanged.

Additionally, companies covered under IBC have been permitted to carry forward and set off business losses in the event of a change in shareholding and reduction of aggregate amount of unabsorbed depreciation and brought forward losses from book profit for MAT purposes. Tax exemption relating to transfer of capital asset by a holding company to its wholly owned subsidiary and vice-versa, which was earlier available only to the transferor, has now been extended to the transferee.

Expert speak on overall economic outlook cont.

Long-term capital gains tax

Currently, long-term capital gains arising from transfer of listed equity shares, units of equity-oriented fund and units of business trust are exempt from tax. However, from AY 2019-20, the exemption to long-term capital gains provided in Section 10(38) has been excluded to any income arising from the transfer of long-term capital assert, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, made on or after the 1st day of April 2018.

A new section 112A, detailing the provisions and conditions to be fulfilled, has been inserted in the Act which shall come into effect from AY 2019-20. It provides for taxation of long-term capital gains arising from transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, exceeding INR1 lakh at the rate of 10% without allowing the benefit of any indexation. However, all gains up to 31 January 2018 will be grandfathered.

Amendment to Rule 11UA of Income Tax Rules, 1962

Earlier, a SEBI registered merchant banker and a Chartered Accountant were allowed to do valuation of unquoted equity shares under the discounted free cash flow method. However, after the amendment vide a Ministry of Finance Notification No. 23/2018 dated 24 May 2018, only SEBI-registered merchant bankers can do valuation of unquoted equity shares under discounted free cash flow method.

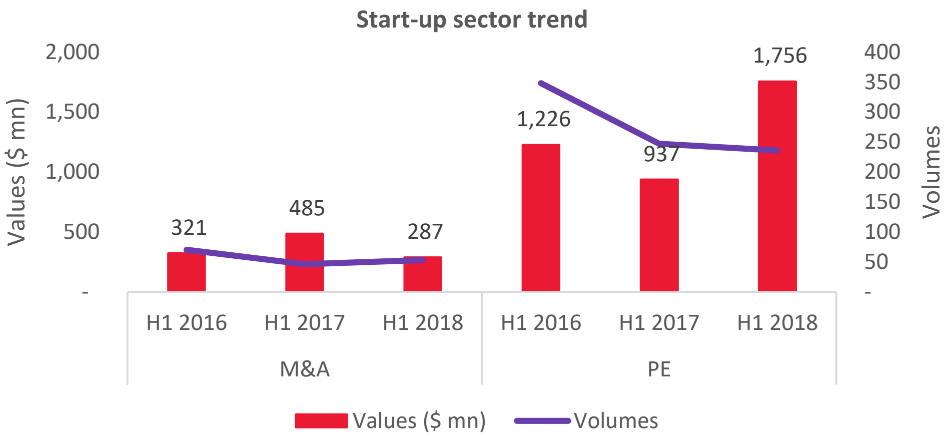
SEBI

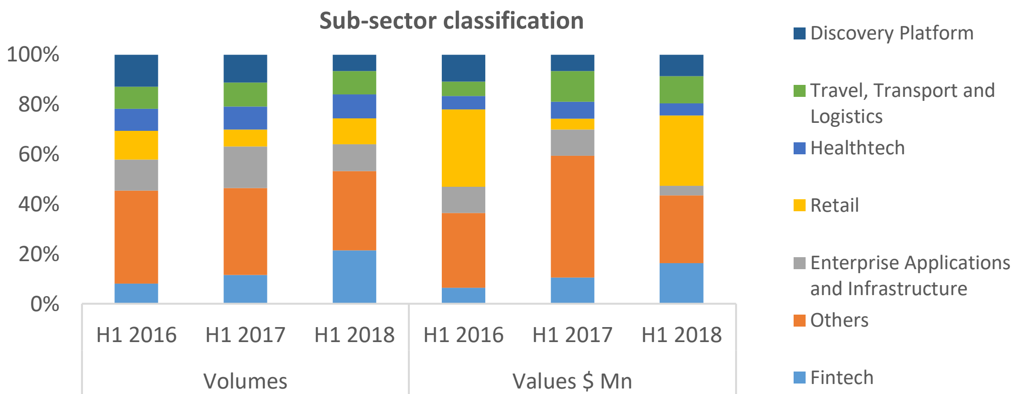
SEBI has provided exemption under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 in the event of any acquisition made pursuant to a resolution plan approved under Section 31 of IBC for listed entities. Similarly, the provisions applicable under various Chapters in relation to preferential issue made under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 will be exempt in respect of a resolution plan approved under Section 31 of IBC for listed entities.

Sectoral overview

1. Start-ups
2. Banking and financial services
3. Pharma, healthcare and biotech
4. Manufacturing

Start-up





Vidhya Shankar
Executive Director,
Grant Thornton India LLP

The year 2018 has been a mixed bag of results. It is very interesting to note that the value of M&A deals in start-ups dropped by 41% compared to H1 2017, while the volume of deals been encouraging with a 15% increase. However, on a positive note, PE/VC investments in this sector increased by 87% in value, while the volume of deals remained muted.

Retail and travel and logistics have been M&A's favourite segments, attracting 39% of M&A values, while retail and food tech segments topped PE investment chart in terms of values, together contributing 48% of investment values.

Interestingly, Fintech has been the most active segment, drawing financial and strategic investors' attention and contributing to 21% of the total start-up volumes.

There were notable investments in fintech, like Paytm ($400 mn by Softbank; $76 mn in LendingKart and $67mn in Capital Float) and foodtech ($310 mn in Swiggy). Fintech saw an increase of over 2x in value of investment from $151 mn to $335 mn compared to H1 2017.

Foreign enterprises are showing continued interest in Indian start-ups, with the inbound acquisition numbers doubling in H1 2018 to 10 deals valued at $115 mn from 5 deals worth $25 mn in H1 2017.

Unrelenting advances in technology and the ongoing digitalisation have disrupted business models. Making it imperative for companies to review and reinvent their business models. Companies are looking for innovative acquisitions in their core sector, with an aim to future-proof their businesses to survive and thrive in the digital world.

Start-up

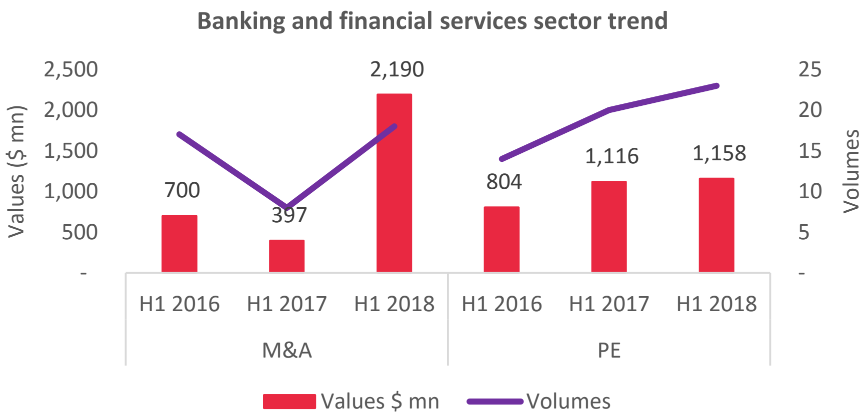
Deal highlights

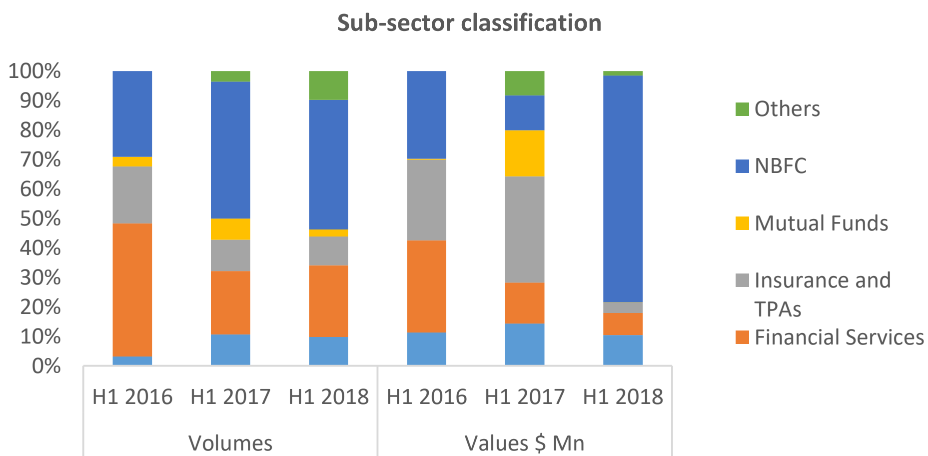
Top M&A deals - H1 2018				
Acquirer	**Target**	**Value ($ mn)**	**Deal type**	**% stake**
Alibaba Group Holding Ltd	Paytm E-commerce Private Limited	45.00	Minority Stake	N.A.
Alibaba.com Singapore E-Commerce Pvt	BusyBees Logistics Solutions Pvt Ltd - Xpressbees	35.00	Minority Stake	N.A.
Future Supply Chain Solutions Limited	Vulcan Express Pvt Ltd	5.50	Acquisition	100%
United Spirits Ltd	Hip Bar Pvt Ltd	4.00	Strategic Stake	26%
Spice Digital Ltd	Luharia Technologies Pvt Ltd - anytimeloan.in	1.95	Strategic Stake	30%

Top PE deals - H1 2018			
Investor	**Investee**	**% stake**	**Value ($ mn)**
SoftBank	Paytm E-commerce Private Limited - Paytm Mall	N.A.	400.00
Naspers, DST Global, Meituan-Dianping, and Coatue Management	Bundl Technologies Pvt Ltd - Swiggy.com	N.A.	210.00
Naspers Ltd and Meituan-Dianping	Bundl Technologies Pvt Ltd - Swiggy.com	N.A.	100.00
Fullerton Financial Holdings Pte Ltd, Sistema Asia Fund, Bertelsmann India Investment, Mayfield India, India Quotient, and Saama Capital	Lendingkart Technologies Pvt Ltd - Lendingkart.com	N.A.	76.00
SoftBank, Tiger Global and Apoletto Asia	Locodel Solutions Pvt Ltd - Grofers	N.A.	61.60

The Walmart acquisition of Flipkart has put the Indian start-up space right in the centre of deal action. In many ways, it is a vindication of the entrepreneurship and tech talent available in the country plus the fast-maturing digital audience – this is bound to have a knock-on effect across the start-up ecosystem in India.

Banking and financial services





Khushroo Panthaky
Director
Grant Thornton Advisory Pvt ltd

The year so far has recorded 41 deals amounting to $3.3 bn, a 2x increase in the deal values. This increase was primarily driven by IDFC and Capital Float's merger ($1.5 bn) and seven deals valued at over $100 mn, together contributing 85% of total banking sector deal values.

Credit growth had dipped post demonetisation and remained subdued because of the uncertainties around the impact of GST. However, due to stabilisation in the GST processes and improvement in demand conditions, the deal activity in this sector has witnessed remarkable growth.

The Indian banking system continues to battle falling asset quality and the need to maintain capital adequacy in the light of accumulating bad loans. Bad debt laden public sector banks have been selling or consolidating their non-core assets to raise capital before seeking government funding.

Banking sector

The Indian banking sector rolled out innovative models like small finance banks and payment banks. In the digital payments space, India has a high competitive advantage with the country's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII).

Key investments and developments:

- The bank recapitalisation plan is expected to push the growth of credit to 15%. This will help the GDP grow by 7% in FY19 and enable banks to make provisions for bad loans, lend money to the corporate and retail sector and maintain their Capital Adequacy Ratio (CAR) above the statutory minimum.
- Public sector banks are in the process of raising funds via Qualified Institutional Placements (QIPs), with the backing of better investor sentiment after the government's recapitalisation plan for banks and an upgrade in India's sovereign rating by Moody's Investor Service.

Banking and financial services

- The total value of M&A activities during H1 in Non-Banking Financial Companies (NBFCs), diversified financial services and banking amounted to $1.7 bn, $269 mn and $195 mn, respectively.
- The total equity funding of the microfinance sector grew at 40% to INR 96.31 bn.

Outlook

Keeping in mind the increased spending on infrastructure, accelerated implementation of projects and continuation of reforms, India is poised for further growth. Consequently, India's banking sector will also witness robust growth, as the rapidly growing businesses would turn to banks for their credit needs. Further, advancements in technology have brought mobile and internet banking services to the fore. With IBC in place and with NCLT in full action to decide on the insolvency resolution process, it is evident that although the banking sector may take some time to come out of its current situation, the NPA-related issues are in the process of getting addressed and resolved to a considerable extent.

Insurance sector

The government's efforts of insuring the uninsured have gradually pushed insurance penetration in the country and led to the proliferation of insurance schemes. In case of life insurance, the industry registered 10.99% YoY growth for new business premium in 2017-18, generating a revenue of $30.1 bn. The gross direct premium for the non-life insurance industry increased by 17.54% YoY in FY2018. Over the years, the share of the private sector in life insurance segment has grown from around 2% in 2003 to 32.6% in April-May 2018. In the non-life insurance segment, the share of private sector increased from 14.5% in 2004 to 46.6% in 2018.

The government has plans to divest its investments in public sector units. It will merge three public sector insurance companies (Oriental Insurance Co Ltd, National Insurance Co. Ltd and United India Insurance Co Ltd) and list the merged entity.

NBFC, Housing Finance Corporation (HFC) and fintech sectors

NBFCs attracted the largest share of PE investments in H1 2018, garnering $853 mn across 14 transactions, mainly to capitalise on their market-leading technology to significantly expand lending to small business owners, reach deeper into India's largest cities and expand to other urban areas.

In addition to this, NBFCs are also attracting investments to expand their portfolio of loans. Acquisitions in the segment were mainly driven by the need to expand distribution footprint and geographical reach and increase client base.

For NBFCs, the share of the market would continue to expand given their ability to provide customer-focused products. Small ticket products like microfinance loans, vehicle loans and consumer durable loans would provide the players an opportunity to grow, with support from pricing risks and keeping the credit costs under control. This may not be the case for large-ticket segments due to increase in pricing pressures on NBFCs. The margins of NBFCs are likely to come under pressure due to increasing competition and interest rates. The asset quality of NBFCs could continue to remain stable given that the impact of demonetisation is now behind them (especially for the MFIs and companies having an exposure in rural areas). Exposure to the real estate sector could put some stress on the credit quality if the flow of funds from NBFCs becomes tighter.

HFCs are increasing focus on affordable housing (small ticket) for growth, as they are facing increasing competition from banks in the large-ticket housing segment - ticket size above INR5 mn. Increasing interest rates are putting pressure on the cost of funding for HFCs and also the income yields are under pressure due to increased competition from banks, On the other hand, the affordable housing space still offers reasonable spreads even after factoring in expectation of higher credit costs.

The fintech space is blooming on the back of the government's push to promote a cashless environment. The sector is witnessing significant interest from investors given a favourable policy environment and the availability of different products and business models.

The financial services sector is looking at a number of merger/takeover transactions, driven by the government's focus on strengthening the overall banking system of the country. Recent mergers between Capital First and IDFC Bank, and Bharat Financial Inclusion and IndusInd Bank are examples of such consolidation activity.

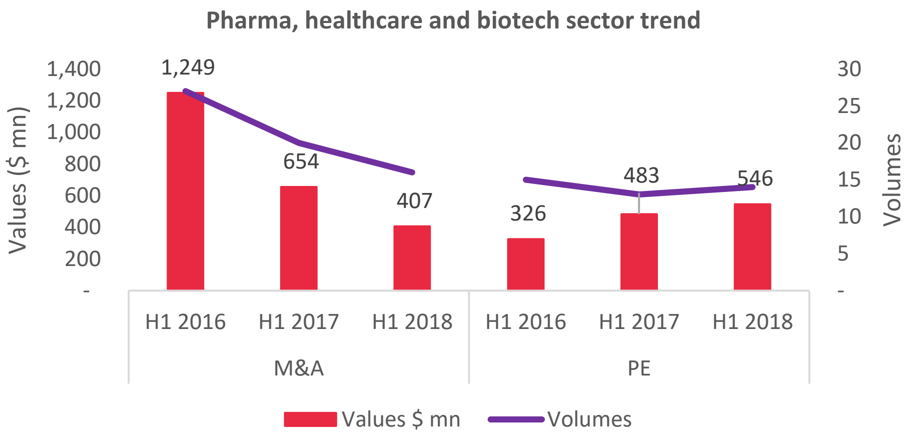
Banking and financial services

Deal highlights

Top M&A deals - H1 2018				
Acquirer	**Target**	**Value ($ mn)**	**Deal type**	**% stake**
IDFC Bank Ltd	Capital First Ltd	1,460.00	Merger	N.A.
Tata Sons Ltd	Panatone Finvest Ltd	237.32	Internal Restructuring	40%
Fairfax India Holdings Corporation - FIH Mauritius Investments	Catholic Syrian Bank Ltd	187.50	Controlling Stake	51%
Ebix Inc	CentrumDirect Limited - CentrumForex	184.62	Acquisition	100%
Dakshin Mercantile Pvt Ltd	LKP Finance Ltd	23.38	Controlling Stake	62%

Top PE deals- H1 2018			
Investor	**Investee**	**% stake**	**Value ($ mn)**
Lone Star Funds and RattanIndia Group	RattanIndia Finance Pvt Ltd	50%	400.00
Camas Investments Pte Ltd	AU Small Finance Bank Limited	5%	147.00
WF Asian Reconnaissance Fund, Rimco Mauritius, Amansa Holdings Pvt Ltd, General Atlantic Singapore Pte Ltd, Steadview and HDFC Standard Life Insurance	IIFL Wealth Management Ltd	5%	112.99
ChrysCapital Advisors LLP, Elevar Equity, LGT, Omidyar Network and Kaizen Private Equity	Thirumeni Finance Pvt Ltd - Varthana	N.A.	55.00
PremjiInvest, Helion Venture Partners and Elevar Equity	Shubham Housing Development Finance Company Pvt Ltd	N.A.	47.66

Pharma, healthcare and biotech



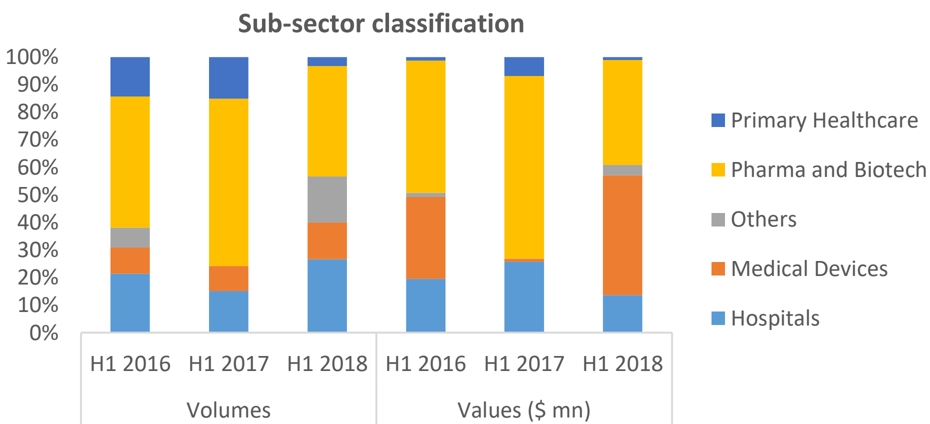
Santhosh C
Director
Grant Thornton India LLP

India's healthcare sector witnessed a restrained approach on the deal front during the first half of 2018. While globally the pharma sector has witnessed large transactions, in India the volume and value of transactions have come down in comparison to the previous year. Torrent's acquisition of Bio-Pharm is a key deal in the pharma space, as it allows an Indian company to enter the US Over-The-Counter (OTC) drugs segment. While some of the pharma players are looking at acquisitions to enter new markets or strengthen their R&D capabilities, the cross-border inbound interest has come down.

In the medical devices space, Healthium (Sutures) – APAX Partners is a marquee transaction. Manufacturing capability, ability to compete strongly with global MNCs in the domestic market and key strategic acquisitions have enabled the stakeholders to drive significant deal value over a period of 4-5 years. Sahajanand Medical Technologies, manufacturer of precision engineered cardiac products, raised $36 mn from Morgan Stanley.

The deal traction in the healthcare delivery space has been lower, constrained by quality assets and valuations. The recent moderation of valuation expectation could potentially drive deal activity in H2 2018. CDC's investment of $21 mn in Asian Institute of Medical Sciences was one of the key transactions during this period. Aster Healthcare's $153 mn IPO was another marquee event in H1 2018.

We believe that the flagship healthcare programme of the Government of India (known as the National Health Protection Scheme) could have a positive impact in the tier 2 and rural segments. It is expected to drive investments in creating healthcare infrastructure, pharma manufacturing capabilities to provide drugs at competitive prices and medical and diagnostic technologies to reduce the total cost of healthcare.



Pharma, healthcare and biotech

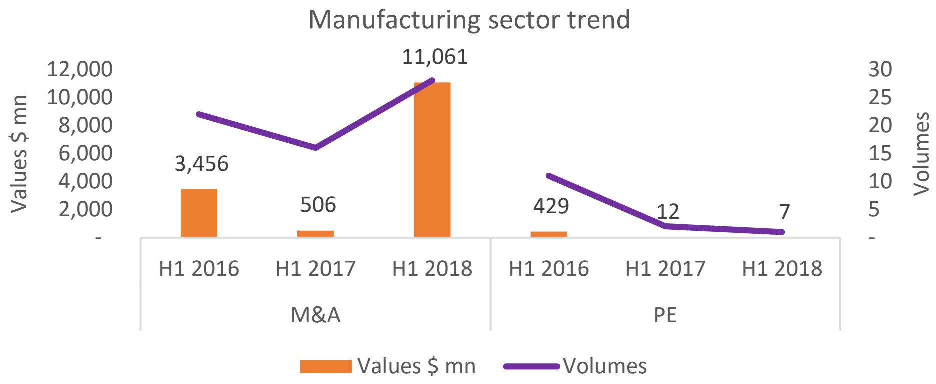
Deal highlights

Top M&A deals - H1 2018				
Acquirer	**Target**	**Value ($ mn)**	**Deal type**	**% stake**
Procter & Gamble Co	Merck Ltd	299.69	Majority Stake	78%
Hinduja Global Solutions Ltd- HGS Population Health LLC	CMH Services Subsidiary LLC- AxisPoint Health	14.00	Acquisition	100%
Ipca Laboratories Ltd	Pisgah Labs Inc	9.65	Acquisition	100%
Strides Shasun Ltd- Strides Pharma Asia Pte Ltd	Trinity Pharma Proprietary Ltd	4.30	Controlling stake	55%
Sequent Sciences- Alivira Animal Health Ltd(Alivira Ireland)	Bremer Pharma GmbH	2.80	Acquisition	100%

Top PE deals - H1 2018			
Investor	**Investee**	**% stake**	**Value ($ mn)**
Morgan Stanley Private Equity Asia and Samara Capital Management Ltd	Sahajanand Medical Technologies Pvt Ltd	N.A.	35.94
Goldman Sachs and angel investors	Cytecare Hospitals Pvt Ltd	N.A.	31.00
SeaLink Capital Partners	Surya Children's Medicare Pvt Ltd	N.A.	30.30
Lighthouse Funds and Thuasne Participations	Tynor Orthotics Private Limited	N.A.	21.67
CDC Group Plc	Blue Sapphire Healthcares Private Limited - Asian Institute of Medical Sciences	N.A.	21.00

The outlook for H2 2018 is expected to follow the trend of H1. Fortis is the most keenly bid for asset and eagerly awaited transaction in this space. India will continue to remain an attractive market for pharma sector investment, and we could expect investments and deals to progress in the branded generics, OTC products and nutritional products markets. With the government regulations on price control, we expect to see more investment happening in the manufacturing space within the Indian medtech sector.

Manufacturing

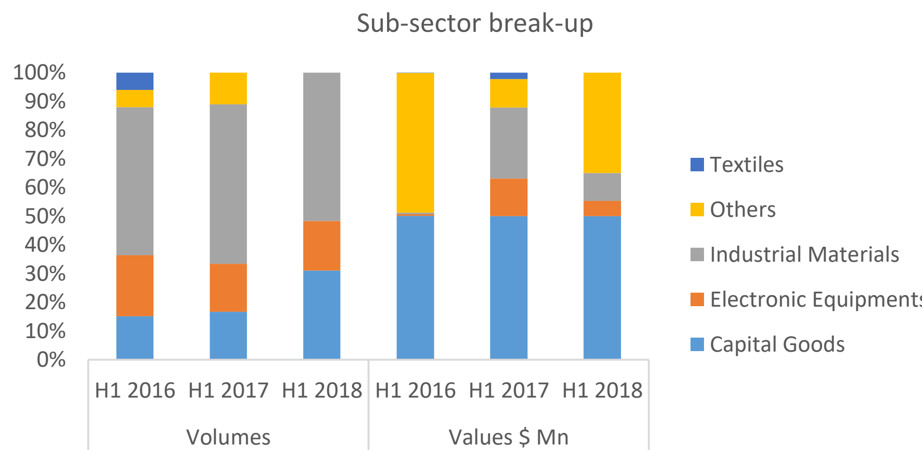


Top M&A deals - H1 2018				
Acquirer	**Target**	**Value ($ mn)**	**Deal type**	**% stake**
Tata Steel Limited	Bhushan Steel Limited	5,515.15	Controlling Stake	73%
Schneider Electric SA	Larsen & Toubro Ltd - electrical and automation business	2,121.21	Acquisition	100%
UltraTech Cement Ltd	Century Textiles and Industries Ltd - Cement Business	1,306.21	Acquisition	100%
Vedanta Star Limited	Electrosteel Steels Ltd	806.06	Majority Stake	90%
Pelangi Prestasi Sdn Bhd	Ballarpur Industries Ltd - Sabah Forest Industries Sdn Bhd	310.00	Acquisition	100%

Sridhar V
Partner
Grant Thornton India LLP

The value of deals consummated in the manufacturing sector in H1 2018 increased significantly compared to H1 2017 primarily on the back of three large M&A transactions done by Tata Steel Limited, Schneider Electric and Ultra Tech Cement. These transactions accounted for 81% of the $11.1 bn deal reported in this period. While Schneider and Ultratech were normal M&A deals, the Tata Steel deal was a result of the first deal closure under IBC proceedings. PE deals reflected a decline in volume and value for H1 2018.

IBC proceedings are expected to keep the deal momentum in the second half of 2018 at a similar high level for this sector. PEs are looking at this sector with interest, and the second half should show better outcome as far as deals are concerned.



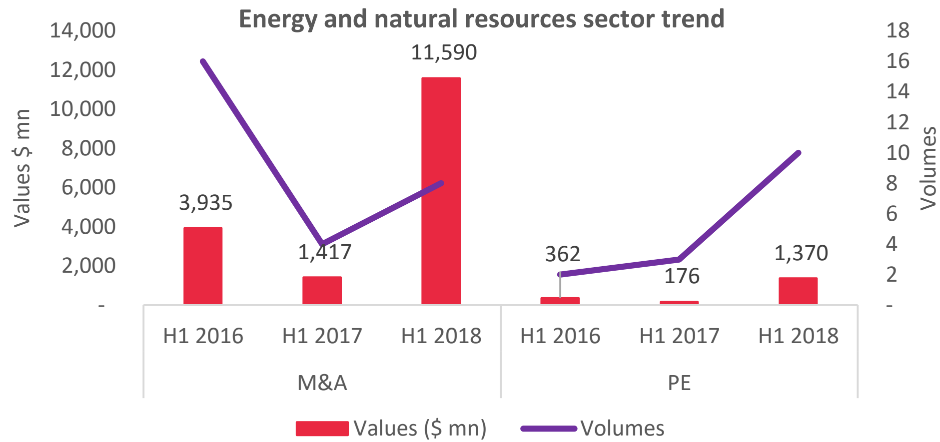
Sectors witnessing consolidation

1. Energy and natural resources
2. Telecom

Leading big ticket deals - Energy

Energy and natural resources

H1 2017	H1 2018
$1.6 bn	$13 bn
7 deals	18 deals



Rajan Shah
Director
Grant Thornton India LLP

Last year, the industry witnessed a shake-up, with both wind and solar power tariffs crashing downwards and companies having to face multiple policy and regulatory issues. However, as the sector turns around, we are witnessing a trend of increasing consolidation by larger players that have weathered the challenges. Such trend was seen in the deal activity in H1 2018.

M&A were the key deal drivers in H1 2018, with domestic and outbound transactions contributing to ~ 94% (H1 2017: ~ 89%) of the aggregate value. PE activity continued to witness growing deal value, increasing from ~$176 mn in H1 2017 to ~ $673 mn in H1 2018. The following deals accounted for ~97% of the aggregate value of M&A transactions in H1 2018:

- ONGC's acquisition of controlling stake in HPCL
- Adani Transmission's acquisition of Mumbai power business of Reliance Infra
- ReNew Power's acquisition of wind energy business of Ostro Energy

Outlook - 2018

We see continued interest in the renewable space, especially considering the government's policy support and increased focus by industrial players to shift to cleaner energy. We also expect large players with several thousand megawatts to drive the M&A activity by acquiring smaller players that cannot compete in market with a lower rate of return.

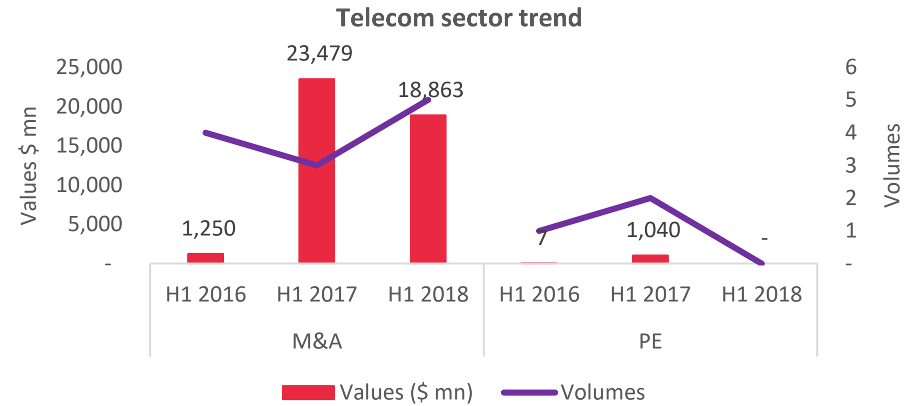
Such consolidation is also expected to result in fund raise, especially from public markets (earlier it was predominately backed by PE funds and foreign investors), helping the firms to expand into emerging areas such as energy storage or off shore wind power.

We further see investment flowing in the firms engaged in the solar rooftops sector and energy-efficiency areas.

Leading big ticket deals - Telecom

Telecom

H1 2016	H1 2017
$24.5 bn	$18.9 bn
5 deals	5 deals



Alok Verma
Partner
Grant Thornton India LLP

2017 saw telecom players consolidate on account of increase in competition led by the entry of Reliance Jio. By the end of the year, there were only three major private players in the market (Bharti Airtel, Vodafone-Idea and Reliance Jio). This competition led to a decline in the ARPU levels for the telecom players by almost 35%-40%. The entry of Reliance Jio, heavy investment in spectrum, wireless tariff war, close to 50 bn IoT devices by 2020 and huge capex for network infrastructure, among others, have been the major triggers for the telco consolidation underway.

The first half of the year saw the merger of Bharti Infratel and Indus Towers, which will create a pan-India tower firm with combined revenues of $3.8 bn and over 163,000 towers. Reliance Jio Infocomm will soon acquire the wireless assets Reliance Communications (RCom) - the proceeds of which will be used for 100% debt reduction by RCom. Some of the lesser known deals include those of Singapore Telecom and Bharti Telecom and Panatone Finvest and Tata Communications. Also, not very long ago, Tata Teleservices sold its consumer mobile business to Bharti Airtel.

Outlook - 2018

In the latter half of 2018, it is expected that the players will consolidate their operations on the back of deals entered into last year. This will help operationalise synergies to drive margin growth, reduce leverage by asset sales and also foray into new businesses. The sector is expected to see tie-ups which will be aimed at getting new technologies/capabilities and moving to new business models (IoT and mobile virtual network operator). Reducing the spectrum cap to 25%, removing the 50% cap on the holding of the entire spectrum and allowing 100% FDI will be the enablers for future deals.

The current phase of consolidation in the sector will be followed by a phase of retaining the market share. Key activities in this regard will be to focus on cost efficiency to boost profits, provide value-added services along with the traditional voice related services and increase data-related offerings.

Telcos will be focused on making profits and earning margins in the coming months along with monetising their non-core assets to reduce the debt levels. If 2017 was the year of transformation, 2018 will be the year of stabilisation and retaining the market share by the Big 3 telcos.

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Abhay Anand

Alok Verma

Ashish Chhawchharia

Chetan Khandhadia

Darshana Kadakia

Dhanraj Bhagat

Manish Saxena

Prashant Mehra

Radhika Jain

Rahul Kapur

Raja Lahiri

Siddhartha Nigam

Vikarth Kumar

Sridhar R

Sridhar V

Sumeet Abrol

Vidhya Shankar

Vikarth Kumar

Vishesh Chandiok

Vrinda Mathur

Anirudh Gupta

Aditya Khanna

Gautam D

Gourav Chaubey

Jagmani Singh

Meghna Bansal

Pankaj Chopda

Rajan Shah

Santhosh C

Shanthi Vijetha

Marquee transactions

2017	2017	2016	2015
Private equity investment	Acquired	Acquired	Invested in
Plutus Financials			
$115,000,000	$20,000,000	$44,00,000	$25,000,000
Financial services	Healthcare focused KPO	Automotive	Real estate
Exclusive advisors to Plutus	Exclusive advisors to Value Edge	Exclusive financial advisors to Suprajit	Advisors to Vatika

2014	2014	2014	2013
Invested in	Acquired	Acquired	Invested in
$18,000,000	$72,000,000	$40,000,000	$23,000,000
Consumer durables	Logistics	Media	Healthcare
Exclusive advisors to Livpure	Advisors to Transpole	Exclusive advisors to Inox	Advisors to Sutures

Select transaction advisory credentials

2017

Acquired majority stake in

Advisors to Harvest Gold
Undisclosed
FMCG

2017

Leveraged buyout | Acquisition financing by
Teutech | Integrated asset management

Exclusive advisors to Hi-Tech
$45,000,000
Manufacturing

2017

India Life Science Fund II
Private equity investment

Exclusive advisors to Enaltec
$14,000,000
Pharma

2017

Tata Capital Healthcare Fund
Private equity investment

Exclusive advisors to Konverge
$3,000,000
Pharma

2017

Acquisition of

Exclusive advisors to Saboo Coatings
$13,000,000
Chemicals

2017

Acquisition of

Exclusive advisors to Cinepolis
Undisclosed
Media and entertainment

2017

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

2017

Acquisition of Shiva Cement Ltd
Financial due diligence
$47 mn

2017

PE investment in Medwell Ventures Private Ltd

Undisclosed

2017

Cp India Senior housing LLC

PE investment in Serene Senior Care Private Ltd
Financial due diligence

Undisclosed

Select transaction advisory credentials

2017

BlackRock
Technology Frontiers (I) Pvt Ltd.

Fundraising
Financial due diligence

Undisclosed

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2017

SBI Ven Capital Pte. Ltd.
Bank-Genie™

PE investment
Financial due diligence

Undisclosed

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2017

Christiani & Nielsen
Gammon
Builders to the Nation

Acquisition
Financial due diligence

Undisclosed

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2018

Ramesh Hospitals
Sanghamitra Hospital

Strategic acquisition of Sangamitra Hospital

Undisclosed

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2018

Muthoot Finance
Belstar Investment and Finance Private Limited

Strategic acquisition of Belstar Investment and Finance Private Limited

Undisclosed

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2018

HCG Hospitals
adding life to years

Strategic acquisition of City Cancer Centre

Undisclosed

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2018

Capital First
IDFC Bank

Strategic acquisition
Undisclosed

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50,000

More than 50,000 people

USD 5.0 bn

Total global revenues of USD 5.0 bn (2017)

135

Based in over 135 countries

700

Over 700 offices

Presence in 12 major cities of India –

Delhi, Ahmedabad, Bengaluru, Chandigarh, Chennai, Gurgaon, Hyderabad, Kochi, Kolkata, Mumbai, Noida and Pune

Grant Thornton in India

Member firm within Grant Thornton International

3000

Over 3,000 people

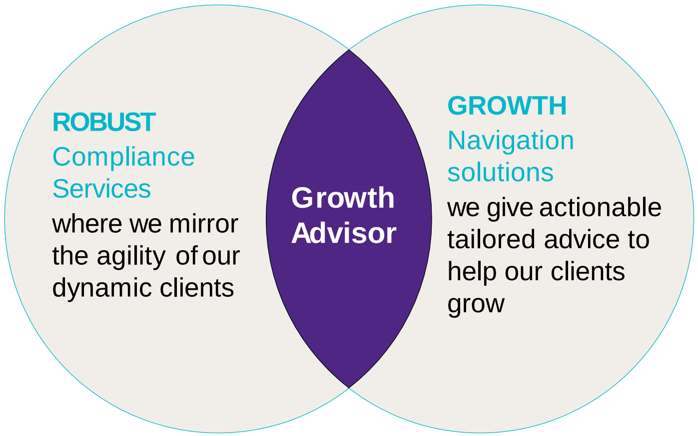
14

14 offices

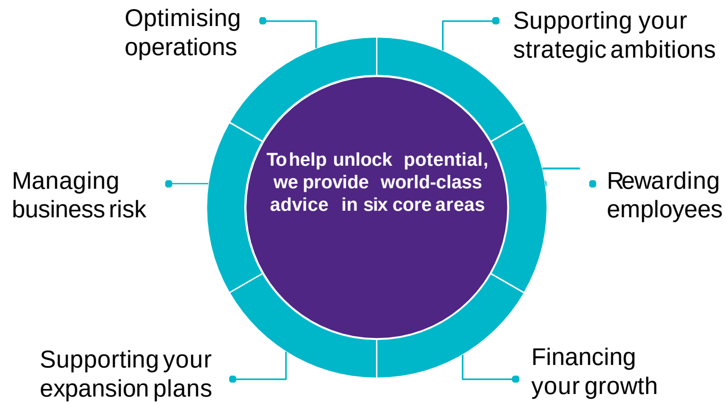
Fully integrated

One of the largest fully integrated Assurance, Tax & Advisory firms in India

Our services



Solutions for all stages of business lifecycle



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