

# Deals in India

## Annual review 2022

January 2023



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# Foreword



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2022 started off strong in the initial months, almost in line with the trends of 2021, but as the months progressed, deal activity tapered down. The headwinds grew stronger and new ones emerged – inflationary risks, rapidly accelerating interest rates and geopolitical tensions, which prompted caution in the markets and the investment landscape. Despite these, India demonstrated signs of a stable deals market overall, defying the trend among most major economies of the world. Although deal activity in 2022 has been lower than 2021, it has surpassed pre-pandemic levels.

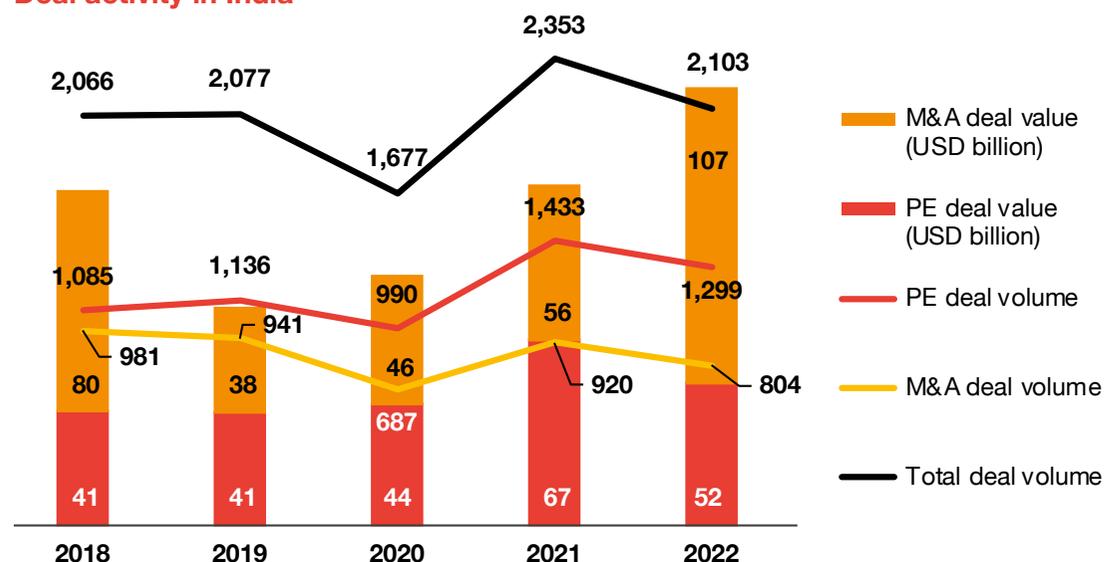
Mergers and acquisitions (M&A) accounted for a major share of the deal value, boosted by more than 20 large transactions, and reached a record high of USD 107 billion – almost twice that of 2021. However, excluding the HDFC Ltd and HDFC Bank merger, M&A deal values were about 15% lower than that of 2021. Private equity (PE) investments stood at USD 52 billion, 22% lower than 2021 but 20% higher than all other preceding three years in terms of value and quantum.

2022 witnessed some of the largest-ever transactions in the cement, aviation and banking sectors, which were driven by companies looking to either consolidate their positions or enter new segments. The Indian start-up ecosystem maintained its buoyancy and contributed well to the M&A activity, though there was a decline in the start-up deal activity as compared to 2021.

Investor perspective on India is more long term, and the current market slowdown may not result in a sense of urgency or concern for most. It will be interesting to see how the first two quarters of 2023 pan out. It is anticipated that stakeholders may be more realistic and pragmatic post the impact of the macroeconomic factors that triggered the dip in valuations, reviewing of business plans, layoffs, etc. A more conducive deal environment, backed by effective reforms and better governance, would also boost sentiment and attract investments.

# 2022 deal activity surpassed pre-pandemic levels

## Deal activity in India



Deal size	M&A		PE	
	No. of deals	Deal value (USD billion)	No. of deals	Deal value (USD billion)
> USD 1 billion	12	85.5	4	5.0
USD 100–1000 million	53	14.6	117	31.5
USD 10–100 million	167	6.5	425	13.3
< USD 10 million	187	0.5	627	1.9
Average deal size	USD 255.5 million		USD 43.9 million	
Deals with undisclosed value	385		126	

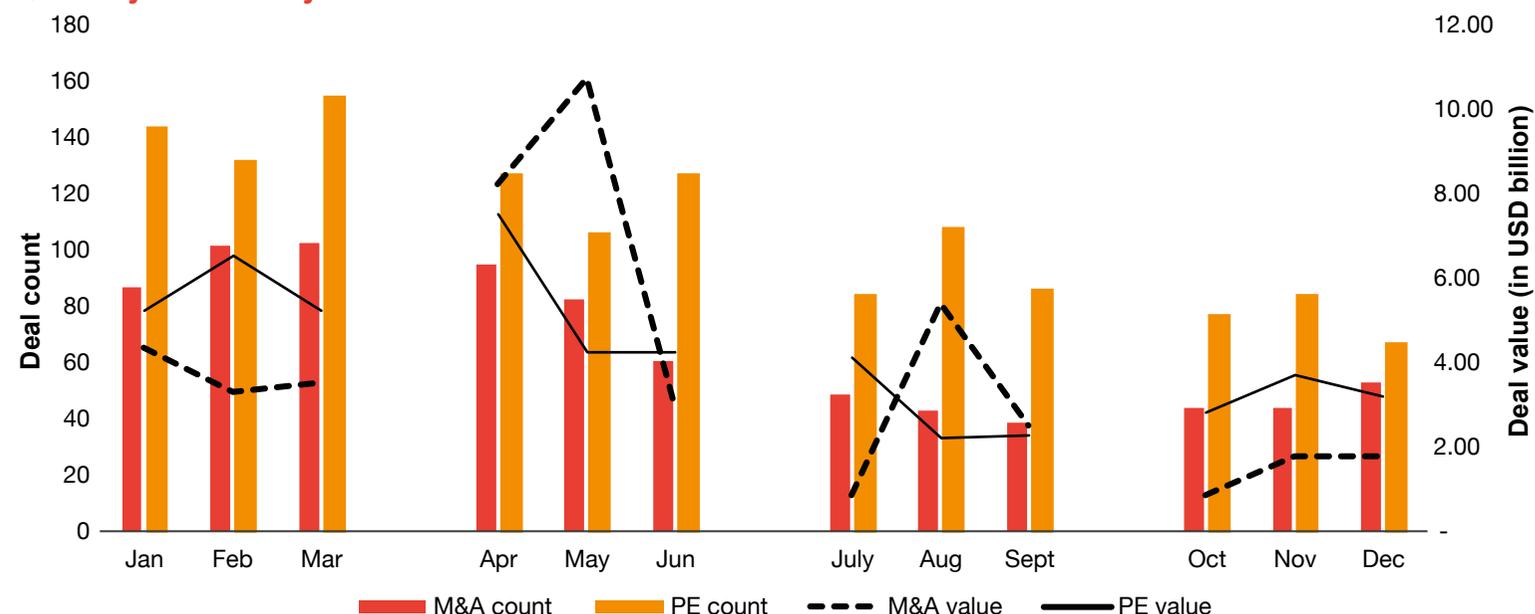
Source: VCCEdge, Venture Intelligence and PwC analysis

## Top ten deals announced in 2022

Target	Buyer(s)	Deal value (USD billion)	% Sought
Housing Development Finance Corporation Ltd	HDFC Bank Ltd.	60.4	100%
Ambuja Cements Ltd.	Adani Enterprises Ltd.	6.2	63%
Viartis Inc., biosimilars assets	Biocon Biologics Ltd.	3.3	100%
Essar Group, infrastructure assets	ArcelorMittal Nippon Steel India Ltd.	2.4	100%
MindTree Ltd.	Larsen and Toubro Infotech Ltd.	2.2	100%
Adani Group, three portfolio companies	International Holding Company	2.0	NA
Citibank N.A., Indian consumer banking business	Axis Bank Ltd.	1.6	100%
Neelachal Ispat Nigam Ltd.	Tata Steel Long Products Pvt. Ltd.	1.6	94%
Sembcorp Energy India Ltd.	Tanweer Infrastructure Pte. Ltd.	1.6	100%
SolEnergi Power Pvt. Ltd.	Shell Plc.	1.6	100%

# H1 contributed to 70% of the deal activity

## Quarterly deal activity in 2022



Deal activity witnessed a steady decline quarter-on-quarter after a strong start in the initial months of 2022.

**70%** of deal activity in terms of value and volumes was witnessed in H1 2022, with only **30%** activity in H2 2022.

## Deal analysis: M&A

	Q1	Q2	Q3	Q4	Total
Deal count	292	239	131	141	803
Deal value	USD 14 billion	USD 21 billion	USD 8 billion	USD 4 billion	USD 47 billion
Average deal size	USD 99 million	USD 153 million	USD 139 million	USD 44 million	USD 112 million
Deals > USD 500 million	5	10	4	1	20
Undisclosed deals	153	100	73	59	385

## Deal analysis: PE

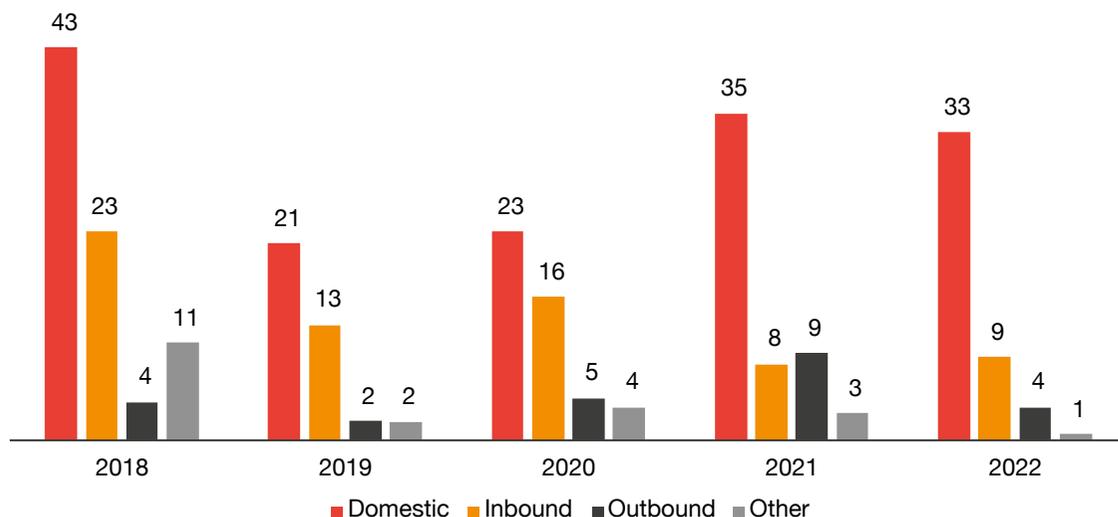
	Q1	Q2	Q3	Q4	Total
Deal count	431	360	278	230	1,299
Deal value	USD 17 billion	USD 16 billion	USD 9 billion	USD 10 billion	USD 52 billion
Average deal size	USD 44 million	USD 49 million	USD 35 million	USD 48 million	USD 44 million
Deals > USD 500 million	4	7	2	3	16
Undisclosed deals	41	29	31	25	126

Above analysis excludes the HDFC merger deal to avoid skewness.

Source: VCCEdge, Venture Intelligence and PwC analysis

# A domestic focus – the year of consolidation, mergers and disruption

M&A activity by deal value (USD billion)



The top five deals of 2022 were all domestic deals.

**72%** of disclosed deal value was generated from domestic deals in 2022 (88%, if the HDFC merger deal is considered).

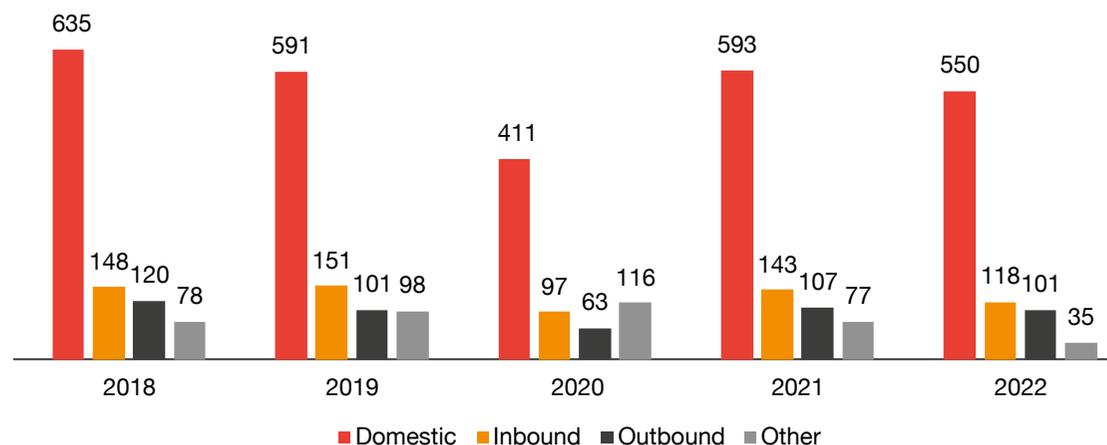
Companies sought to consolidate positions, curb competition and enter new disruptive segments, leading to some of the largest-ever transactions in the banking, cement and aviation sectors.

Sectors such as financial services, technology, healthcare, energy and power, and industrials are expected to stay active on the domestic front in terms of value creation and market share gain.

Above analysis excludes the HDFC merger deal to avoid skewness.

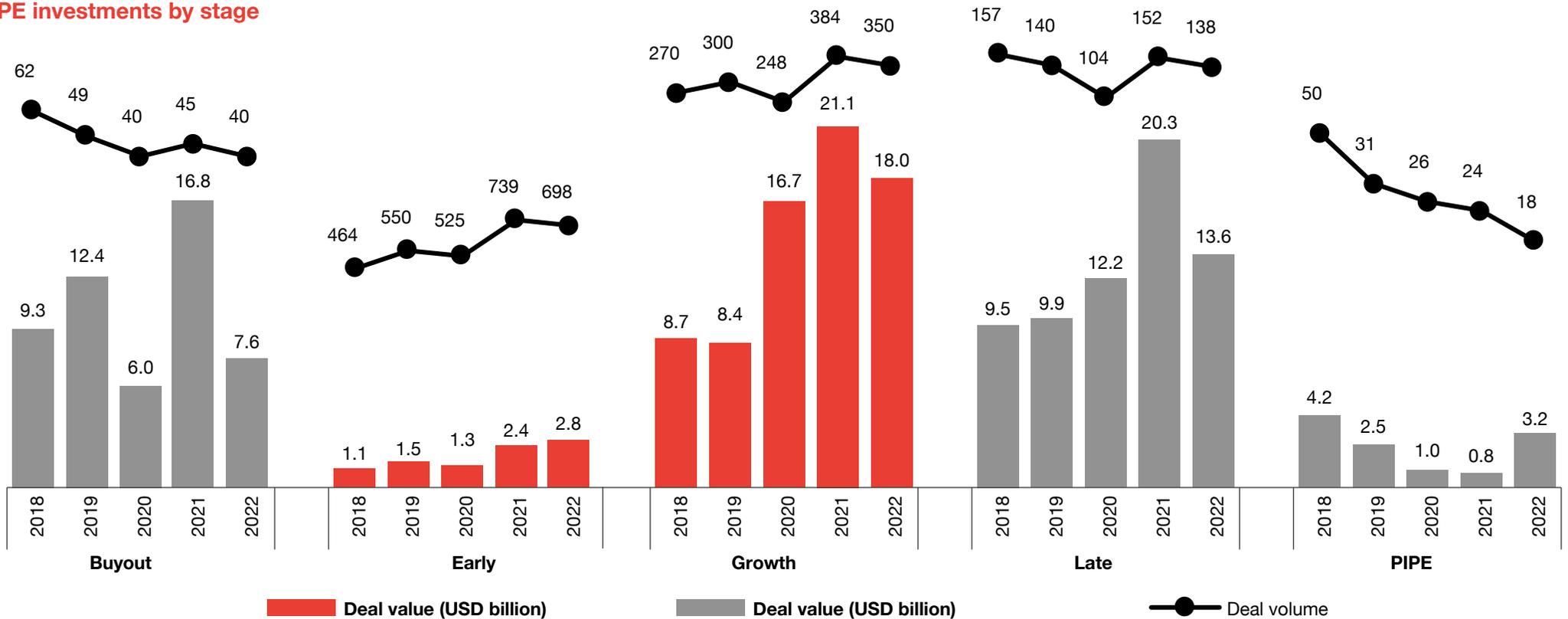
Source: VCCEdge, Venture Intelligence and PwC analysis

M&A activity by deal volume



# PE activity driven by early and growth-stage deals

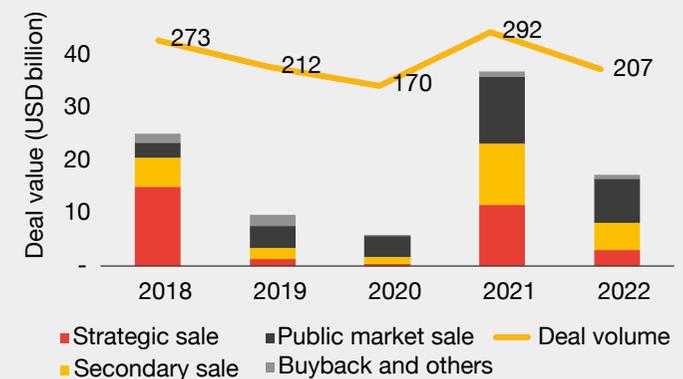
## PE investments by stage



Early-stage deals saw an uptick in deal value by **13%** compared to 2021, reflecting investor confidence and the outlook for the Indian start-up sector, while buyouts and late-stage deals witnessed a **55%** and **33%** dip in deal value respectively, compared to 2021.

PE exits witnessed one of the slowest years in the last five years, with a **53%** decrease in deal value and a **29%** decrease in deal volume compared to 2021.

## PE exits



Source: VCCEdge, Venture Intelligence and PwC analysis

# Outlook for 2023

The Indian transactions market in terms of deal value has been consistently growing over the last few years, with 2021 being the most exceptional year till date. In comparison, 2022 was a more realistic year, barring a few extremely large-ticket deals. Similar to 2022, deal activity in 2023 will depend on the macroeconomic factors at play. So far, it is expected that deal activity in 2023 will be steady but slow. The market is fundamentally strong, and M&A will be an essential instrument for companies to move forward, integrate supply chains, beat disruption and boost their market share. Domestic action is at an all-time high, and there is significant interest in the India growth story from foreign strategic investors as well as PE investors.

## Trends to monitor

- A strong year ahead for the energy and infrastructure sectors
- Consolidation and buyouts in the new-age unicorn space
- Ramping up of deal activity in the manufacturing space
- Further efforts by PE funds to create value through complexity
- Renewed interest in digital assets, e-commerce and direct to consumer (D2C)
- Domestic consolidation, restructuring and mergers to drive large-ticket deals
- New-age diligence around data privacy and environmental, social and governance (ESG) to gain prominence

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