Deals at a glance

PwC India

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In 2023, India successfully navigated through the challenges posed by global economic uncertainties. While the overall deals were lower, private equity (PE) outnumbered traditional mergers and acquisitions (M&A) much like last year. The slow and restrained market of the first six months saw a gradual shift and progressive transition towards the end of the year, setting the stage for a promising 2024.

Start-ups faced a challenging year, recording the lowest fundraising in five years, with 85% of the total funding coming from growth and late-stage deals. Interestingly, capital markets were upbeat. Nifty 50 surged by 20% since the previous year, reflecting positive market sentiments and investor enthusiasm. There was also a notable rise in block deals, especially as a mode of exits for PEs. The year 2023 also saw significant IPO revival, with most stocks trading above listing price.

The economy showed a robust 7.6% and 7.4% gross domestic product (GDP) and gross value added (GVA) growth respectively. As for India's position in terms of being a lucrative investment destination, the country moved up to the 5th position in 2024 from 9th in 2023, as per PwC's 27th Annual Global CEO Survey.

In 2024, we anticipate an upswing in the India markets, especially in small to mid-size M&A transactions and growth fundings. As per the survey, CEOs are more upbeat about their company's growth than they were last year. Sectors like e-commerce, healthcare, renewable energy, infrastructure and technology show exciting prospects.

Hoping for further revival and an action-packed year of deals.

PwC advised deals

Goals101 Data Solutions Pvt Ltd

Exclusive financial advisor to Goals101 for its acquisition by M2P Fintech

Wipro Pari Pvt Ltd

Exclusive financial advisor to Wipro Pari for the acquisition of majority stake in Ferretto Automation and Services

Snitch Apparels Pvt Ltd

Exclusive financial advisor to Snitch Apparels for its Series A fundraise from SWC Global, Ivy Cap and angel investors

Vivus Education Pvt Ltd

Exclusive financial advisor to Vivus Education in its strategic partnership with International Schools Partnership (ISP), UK

PwC thought leadership

Global M&A Industry Trends: 2024 Outlook

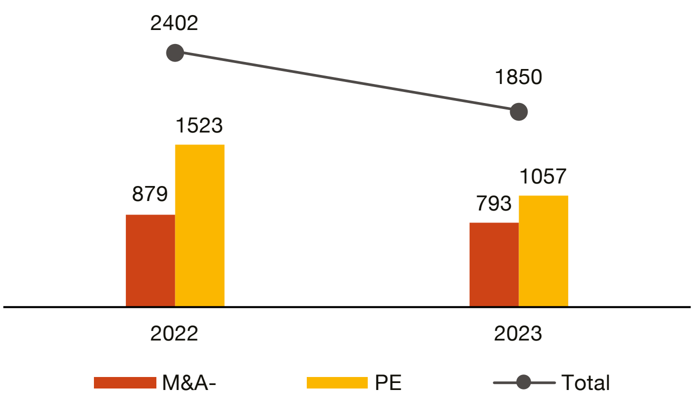
27th Annual Global CEO Survey: India perspective

State of automotive GCCs in India

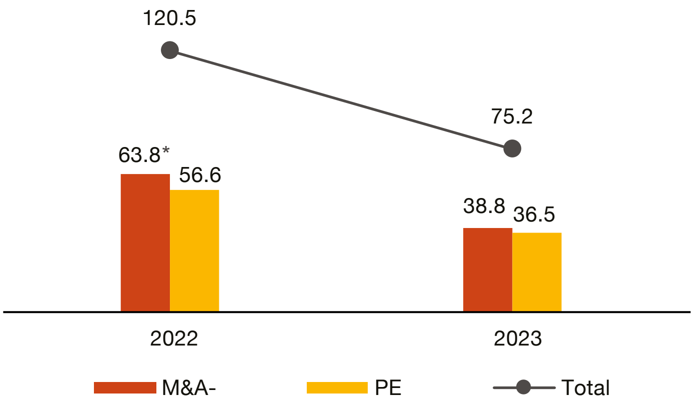
Deals at a glance Q3 CY23

Market snapshot

Deal volume



Deal value (USD billion)



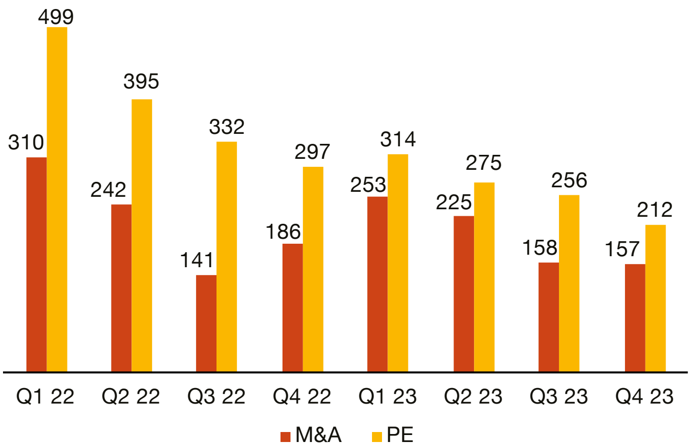
*Does not include the HDFC merger ($60b)

The year 2023 was a slow one with the total deal activity dropping significantly. The total volume dropped by 23% while the total disclosed value dropped by 38% since CY22. Deal activity witnessed a steady decline through the first three quarters and stabilised towards the last quarter of the year.

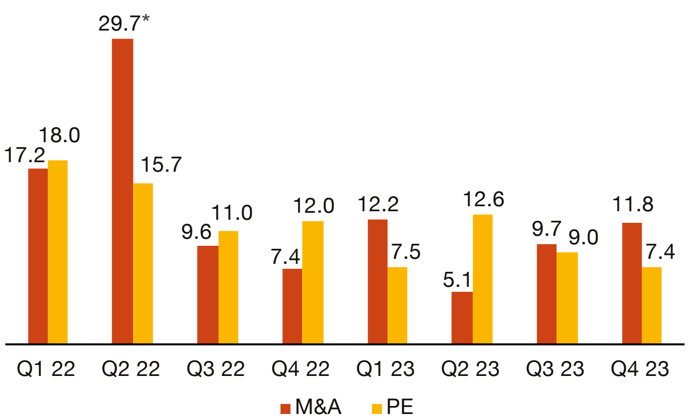
In CY23, M&A deals totaled 793, a drop of 10% compared to CY22, while the total disclosed deal value for M&A fell by 38%. Domestic deals fell by 18%, to 494 in CY23 from 601 deals in CY22. However, we saw an uptick of 14% in the volume of inbound deals. On the disclosed deal value front, while four out of the top five M&A deals are domestic deals, outbound deals saw a significant rise of 31% from last year.

PE investments totaled USD 36 billion, marking a substantial 36% drop from the previous year. Despite this decline, the average investment size per deal increased to USD 46 million from USD 42 million last year, reflecting a potential shift towards larger opportunities. While early-stage investments were 53% less compared to CY22, these along with growth-stage investments continued to make up the major share, constituting around 73% of fundings in CY23. On the other hand, buyouts demonstrated resilience with only a 5% decline compared to CY22. This suggests a nuanced landscape, where investors show interest in diverse strategies and larger-scale ventures, even amid an overall decrease in PE investments.

Deal volume



Deal value (USD billion)



*Does not include the HDFC merger ($60b)

2023 wrap up

1,850
Announced deal volume

USD 75 billion
Disclosed deal value

494
Domestic deals

USD 1.8 billion
Largest deal

Sector watch

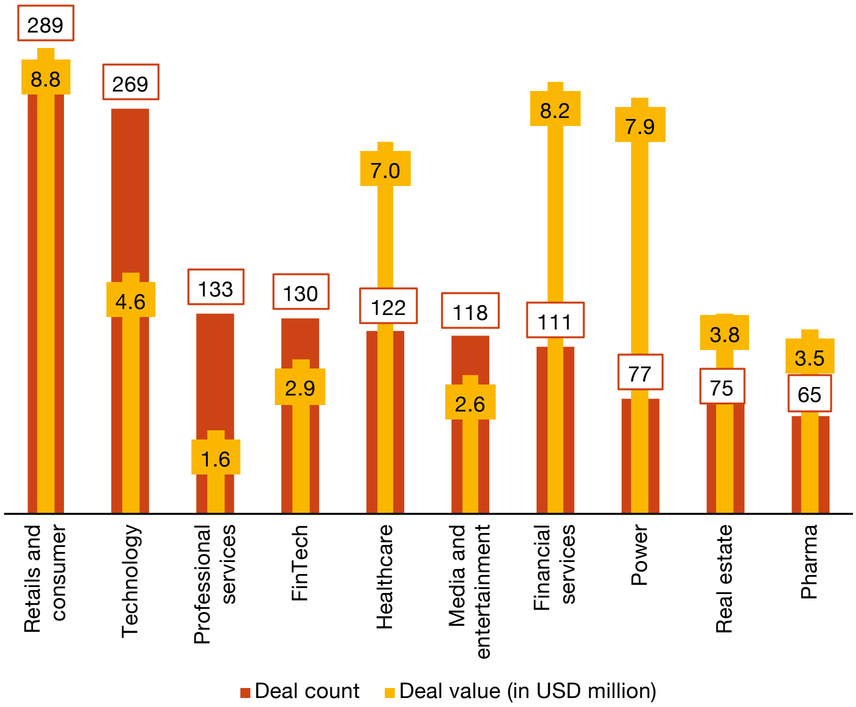
In CY23, the technology sector was predicted to be the frontrunner, but the retail and consumer sector finished marginally ahead, coming on top for the second year in a row. This shift was seen in the last two quarters, making the retail and consumer sector the top sector in terms of both value and volume.

Followed by this were the professional services and FinTech sectors, which were the most active in terms of volume. On the other hand, financial services, renewable power and healthcare saw larger deals, making them the top sectors in terms of deal value.

Interestingly, professional services, chemicals, electric vehicles (EVs), and oil and gas were the only sectors that saw a positive, upward trend in CY23, volume wise, compared to CY22.

Top 10 deals contributed to 21% of the total deal value in CY23 compared to 25% in CY22. While PE deals were higher in volume overall, strategic deals dominated the top deals. Domestic deals with group-level consolidations seemed like a prominent theme.

Top sectors (deal count wise)



Top deals 2023

Target	Seller(s)	Buyer(s)	Deal type	Deal nature	Deal value (USD billion)
ONGC Petro additions Ltd	Gas Authority of India Ltd	Oil and Natural Gas Corporation Ltd	Domestic	JV buyout	1.80
SREI Infrastructure Finance Ltd	-	National Asset Reconstruction Company Ltd, India Debt Resolution Company Ltd	Domestic	Insolvency-driven acquisition	1.79
GMR Airports Ltd	Aeroports de Paris SA	GMR Airports Infrastructure Ltd	Domestic	JV buyout	1.76
AMG Ammonia (Greenko Group)	-	Gentari Sdn Bhd (Petronas), GIC	Inbound	Strategic investment	1.75
Aster DM Healthcare FZC	Aster DM Healthcare Ltd	Fajr Capital, Moopen Family and consortium	PE	PE buyout	1.70
Manipal Health Enterprises Pvt Ltd	NIIF Ltd; TPG Inc	Temasek Holdings Pte Ltd	PE	Secondary exit	1.61
TV18 Broadcast Ltd	-	Network18 Media & Investments Ltd	Domestic	Stock merger	1.57
HDFC Credila Financial Services Ltd	HDFC Ltd; HDFC Bank Ltd	BPEA EQT Ltd, ChrysCapital Investment Advisors Pvt Ltd	PE	PE buyout	1.11
Route Mobile Ltd	-	Proximus Opal SA	Inbound	Promoter stake sale	1.05
Zinc International assets of Vedanta Ltd	Vedanta Ltd	Hindustan Zinc Ltd	Outbound	Asset sale	1.05

Data quali ications:

The data used for analysis is as of 31 December 2023. This analysis does not include the following deals:

- Individual and undisclosed bidders with deal value < USD 10 million
- Buybacks/ delisting
- Parent entity investing in non-significant stake
- Divestment to employees
- Open market and off market deals
- Group deals without any exit or entry of other parties

Sources:

- PwC analysis
- Mergermarket
- VCCEdge
- Venture Intelligence
- https://www.chittorgarh.com/

Start-up watch

- In the last five years, 2023 witnessed the lowest funds being raised by Indian start-ups.
- Indian start-ups raised around USD 8 billion, a 68% drop from the previous year, with an average ticket size of USD 13 million.
- Growth- and late-stage deals made up for around 85% of total funding, with average ticket sizes of around USD 21 million and USD 47 million, respectively.
- Top five invested sectors were SaaS, D2C, LogiTech and AutoTech, FinTech, and e-commerce B2B. With an overall decline in funding across all sectors, the steepest falls were observed in media and entertainment at 96% and edTech at 95%.
- Bengaluru, NCR and Mumbai maintained their status as key start-up cities in India, collectively representing around 83% of the total start-up funding activity.
- There were 156 M&A deals involving start-ups, with nearly 127 being domestic transactions and the remainder being cross-border transactions.
- Zepto was the only start-up to attain unicorn status, compared to 21 unicorns in CY22.
- Globally, count of new unicorns decreased, with SaaS having the highest number of new unicorns. In India too, SaaS continued to lead with 20 unicorns, followed by FinTech at 16.

2023: The year of IPOs

52
Mainboard IPOs

173
SME IPOs

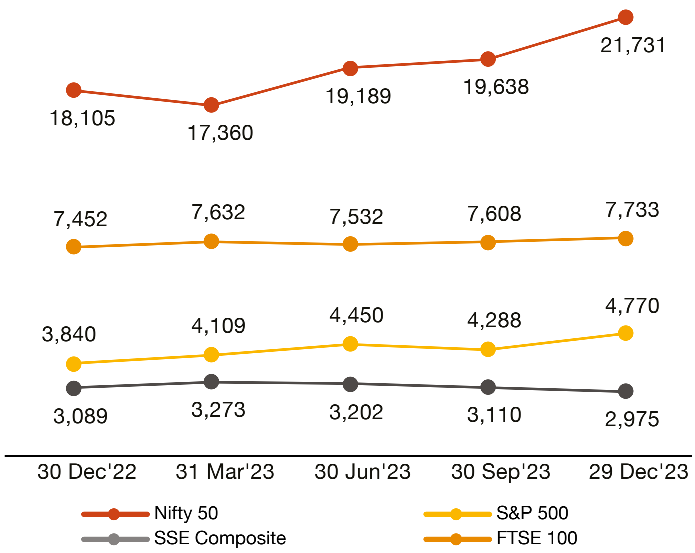
“

The year 2023 was an exciting one for capital markets. The last time we had this many numbers of IPOs was in 2021; however, there was a huge difference back then in terms of valuations. In 2021, we saw huge valuations, but 2023 saw relatively reasonable valuations. Issue sizes were also in proportion with most of the issues trading above the listing price. The last quarter preceding the election year is generally slow but there was no such sign this year. We have had around 25 IPOs in the last quarter of the calendar year, denoting trust in the markets.

- Ramakrishnan Subramanian
Investor Relations and IPO Advisory, PwC India

Stock market trend

- Nifty 50 rose by 11% in December 2023 from September 2023. S&P 500, however, saw a greater YoY rise as it increased by 24% while Nifty 50 saw 20% rise from December 2022.
- Nifty 50 achieved a remarkable feat by gaining positive returns for the eighth consecutive year, closing out 2023 with an outstanding performance.
- Investors continue to favour Indian stocks, attributing their preference to the nation’s macroeconomic stability, resilience to global challenges and sustained momentum in earnings.



Economic snapshot

- 7.6% GDP growth in Q2 FY24 on YoY basis
- 3.1% growth in private consumption in Q2 FY24, which is lower than average Q2 growth during FY13–23, and 12.4% growth in Government consumption in Q2 FY24 due to low base and higher expenditure by Department of Agriculture, defence services and Department of Revenue
- 11% growth in investment mainly due to strong growth in capex of central (26% YoY increase in Q2) and state governments (54% YoY increase during April to October 2023)
- Export growth improved to 4.3% in Q2 from -7.7% in Q1 FY24; 16.7% growth in imports in Q2 FY24, due to decrease in global commodity prices which, along with increased manufacturing and construction activity, led to increased volume of imports

GDP and expenditure components (at constant prices)

Key components	Share (%)	Growth %				
		FY23 Q2	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2
Private final consumption expenditure (PFCE)	56.8	8.3	2.2	2.8	6.0	3.1
Government FCE (GFCE)	8.9	-4.1	-0.6	2.3	-0.7	12.4
Gross fixed capital formation (GFCF)	35.3	9.6	8.0	8.9	8.0	11.0
Change in stocks	0.8	-2.6	-0.1	5.9	3.9	11.6
Exports	-6.8	12.2	11.1	11.9	-7.7	4.3
Imports		23.1	10.7	4.9	10.1	16.7
GDP	**100**	**6.2**	**4.5**	**6.1**	**7.8**	**7.6**

Source: Ministry of Statistics and Programme Implementation (MoSPI)

- 7.4% GVA growth in Q2 FY24 over the previous year, mainly due to strong performances of manufacturing, mining and construction sectors
- Decline in growth of agriculture and allied sectors to 1.2% in Q2 while the mining sector observed a 10% growth
- Remarkable growth of 13.9% registered in the manufacturing sector in Q2, supported by low base of previous year, and easing of global commodity prices across energy, metal and food categories
- 13.3% growth in the construction sector due to higher Government capex and increase in demand for office spaces and housing, especially in urban areas
- Services growth moderated to 5.8% during Q2 FY24 from 9.4% growth in Q2 of previous year

GVA by economic activity (at constant prices)

Key components	Share (%)	Growth %				
		FY23 Q2	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2
Agriculture, livestock, forestry and fishing	10.4	2.5	4.7	5.5	3.5	1.2
Mining and quarrying	1.7	-0.1	4.1	4.3	5.8	10.0
Manufacturing	17.1	-3.8	-1.4	4.5	4.7	13.9
Electricity, gas, water supply and other utility services	2.3	6.0	8.2	6.9	2.9	10.1
Construction	7.3	5.7	8.3	10.4	7.9	13.3
Trade, hotels, transport, communication and services related to broadcasting	17.0	15.6	9.6	9.1	9.2	4.3
Financial, real estate and professional services	23.7	7.1	5.7	7.1	12.2	6.0
Public administration, defence and other services	12.2	5.6	2.0	3.1	7.9	7.6
GVA	**100**	**5.4**	**4.7**	**6.5**	**7.8**	**7.4**

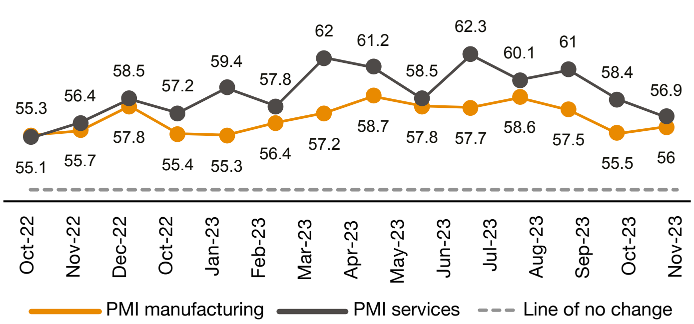
Source: Ministry of Statistics and Programme Implementation (MoSPI)

Index of Industrial Production (IIP) growth

Index of Industrial Production (IIP)	Annual growth (%)		
	August	September	October
Mining	12.3	11.5	13.1
Manufacturing	9.3	4.9	10.4
Electricity	15.3	9.9	20.4
IIP (General)	**10.3**	**6.2**	**11.7**
Primary goods	12.4	8.0	11.4
Capital goods	13.1	8.4	22.6
Intermediate goods	6.8	6.1	9.7
Infrastructure /construction goods	13.5	8.9	11.3
Consumer durables	5.8	1.1	15.9
Consumer non-durables	9.6	3.0	8.6

Source: Ministry of Statistics and Programme Implementation (MoSPI)

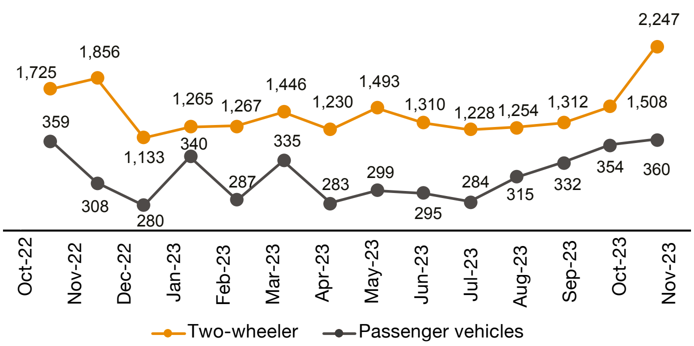
Purchasing Manager's Index (PMI)



The PMI is a weighted average of the following five indices: New orders (30%), Output (25%), Employment (20%), Suppliers' delivery times (15%) and Stocks of purchases (10%).

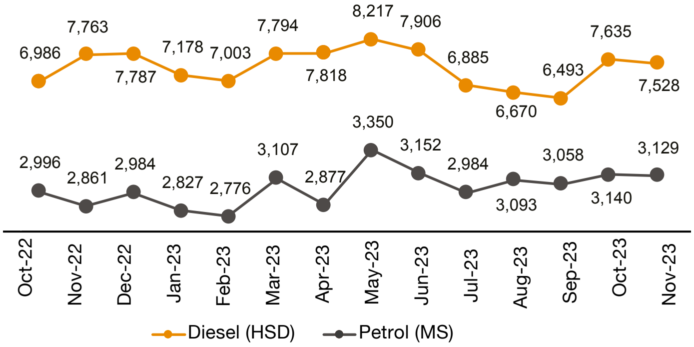
- YoY growth for IIP rose to a 16-month high of 11.7% in October 2023.
- The manufacturing PMI rose to 56 in November 2023 from 55.5 in October 2023.
- The services PMI declined to 56.9 in November 2023 from 58.4 in October 2023. The rate of expansion of new business and output was the slowest in a year but remained above the long-run average due to demand resilience and easing of pricing pressure.

Retail sales of vehicles ('000 units)



Source: Federation of Automobile Dealers Associations (FADA)

Petrol and diesel consumption ('000 metric tonnes)

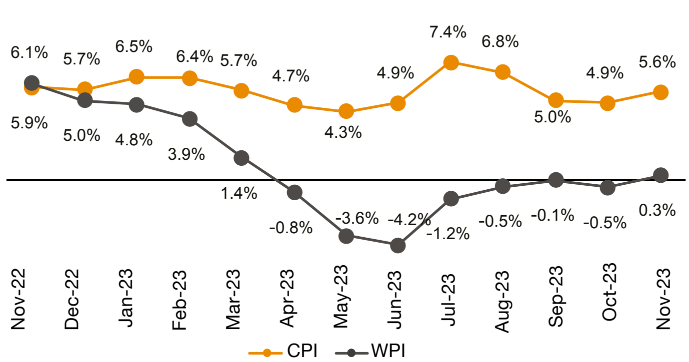


Source: Petroleum Planning & Analysis cell (PPAC)

- Passenger vehicle (PV) sales increased by 17.2% on YoY basis in November 2023 while two-wheeler (2W) sales rose by 21% compared to last year.
- PV saw an all-time high sales of 3.6 lakh units mainly due to festive demand, launch of newer models and improved supply. Furthermore, 2W sales picked up post festivities.
- Petrol consumption increased by 9.4% during November 2023. This is accredited to the strong car sales and increase in personal travel during festival season in India.
- Diesel consumption fell by 3% as commercial vehicle operators might have taken time-off post peak festival period.

- Consumer Price Index (CPI) increased from 4.87% in October 2023 to 5.55% in November 2023. This is mainly due to an increase in food prices.
- Consumer food price inflation increased from 6.6% to 8.7% in November 2023, majorly due to the rise in rates of fruits, vegetables, pulses, sugar and confectionery.
- Wholesale Price Index (WPI) saw an eight-month high peak of 0.26%, being positive for first time since March 2023.
- Core inflation, which excludes food and fuel, decreased from 4.3% in October 2023 to 4.1% in November 2023.

General inflation - CPI and WPI



Global M&A trends

Global deal values experienced a significant decline in 2023, plummeting to USD 2.5 trillion from the 2021 peak of over USD 5 trillion. Concurrently, deal volumes fell by 17%, dropping from just over 65,000 deals in 2021 to around 55,000 deals in 2023.

Despite these challenges, some sectors are already witnessing an increase in deals, suggesting a positive trajectory for M&A in the coming year. Sectors such as aerospace and defence, mining and metals, power and utilities, pharma, industrial manufacturing, automotive, and technology observed an increase in deal volumes in 2023 compared to last year.

Looking at the market, PwC's 27th Annual Global CEO survey data too indicates that 60% of the surveyed CEOs plan to make at least one acquisition in the next three years. Also, 45% of the CEOs expressed their doubt about their company's viability beyond the next decade. This necessitates a call for action, particularly in the sectors affected by global megatrends like technological disruption, climate change and demographic shifts.

To tie back with our expectations, the survey also reveals that 56% of these leaders see transactions as the best way to stay in touch with market developments and 70% of them expect to leverage M&A for the accelerated adoption of technology and related processes. These insights bring out the strategic importance of M&A in an evolving business landscape.

The downward trend in 2023, which was the worst bear market in a decade, has boosted the anticipation for a measured revival in deal activity in 2024. This upturn in 2024 is said to deviate from past trends, with a significant role for private credit and an increased focus on value creation and growth. Pent-up demand from private equity and the growing strategic imperative for transformation among companies is expected to generate more opportunities for deal activity in the year ahead.

Three main factors behind optimism around M&A:

Improving financial markets

Less uncertainty and an increase in CEO and investor confidence

Demand and supply

Deal-making has reached an inflection point with pent-up buyer demand and a build-up in seller assets

Time to go further, faster

Accelerating global megatrends create the need to adapt and transform business and operating models; furthermore, transactions allow companies to transform faster

Sources:

- PwC's 27th Annual Global CEO Survey
- PwC's 27th Annual Global CEO Survey: India perspective
- Global M&A industry trends: 2024 Outlook

What to expect: The year ahead

- A shift towards growth funding and venture capital revival
- An increase in controlling stake deals
- Rise in portfolio exits through capital markets and IPOs
- Transformation of PE operating models – trend of buyouts, platforms and bolt-ons
- Sustainability and ESG integration in the business
- Promising sectors:
  - E-commerce
  - Renewable energy
  - Technology (AI and semiconductors)
  - Healthcare and biotechnology
  - Banking, financial services and insurance
  - Infrastructure
  - EVs and EV infrastructure (manufacturing, charging, batteries and energy storage)

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