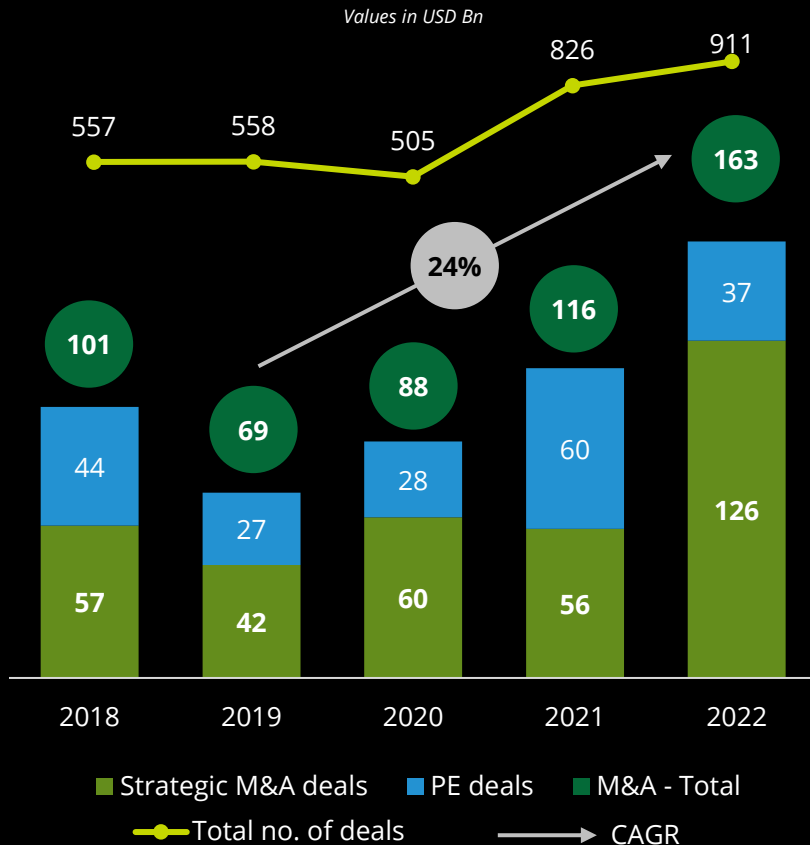


M&A deal activity on the rise in India

The M&A market in India crossed **USD 160 Bn** during 2022

Overall M&A deal activity in India (2018-22)



Key drivers for M&A activity in 2022



Strategic M&A deals grew 126% by value in 2022 as compared to 2021 attributable primarily to strong domestic demand and healthy corporates cashflows as compared to H2 2021, as well as low interest rates upto H1 2022 which provided a suitable environment for companies pursuing inorganic growth opportunities



Mega-deals (> USD 1Bn) grew 123% as the Financial services, Medical & Pharma and construction sectors witnessed some of the largest ever M&A transactions

Top five transactions in 2022

Deal Description	Value (USD Bn)
HDFC Ltd merger with HDFC Bank	57
Adani Group acquires Ambuja Cement	9
BSNL merges with BBNL	4
Biocon acquires Biosimilars business of Viatris Inc	3
MindTree merges with L&T Infotech	3



62%

Average share of Strategic deals by value over the last 5 years

54%

Average share of Cross border deals by value over the last 3 years



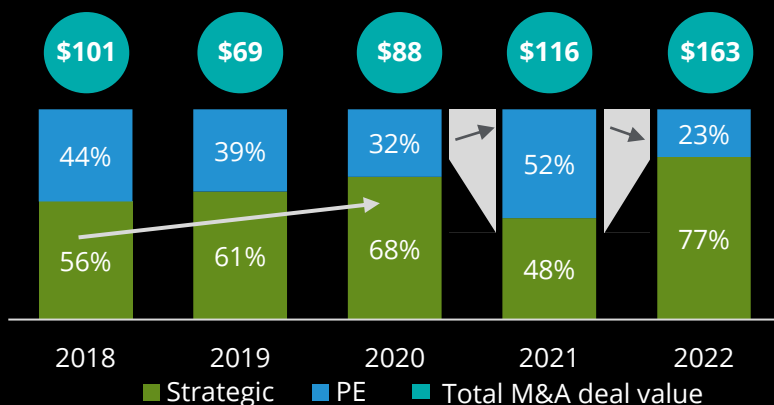
- India's M&A activity is expected to remain strong in 2023, even as there are global headwinds from rising interest rates and elevated inflation levels leading to increased margin pressures for companies
- Strategic M&A in India is expected to remain resilient backed by continued strong domestic demand and healthy balance sheets while PE activity may rebound backed by better valuations resulting in higher deployments, particularly beyond H2 2023



M&A activity in India is expected to remain strong in 2023 backed by rebound in PE deals, continued growth in strategic M&A and rising outbound investments

PE deals' share in M&A activity (2018-22)

Values in USD Bn

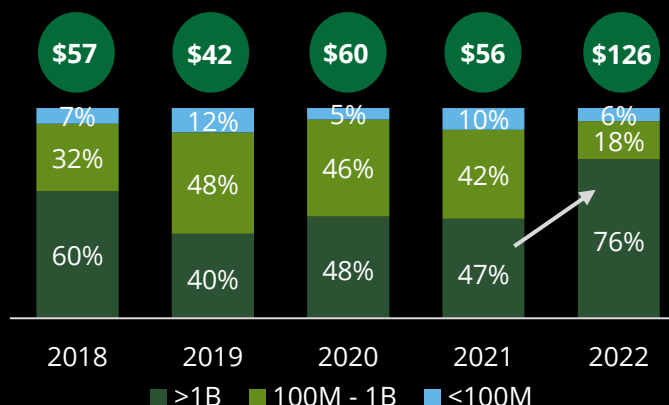


- In 2022, PE deal value fell significantly by ~40% based on global PE activity decline of ~60% from 2021 onwards
- This contrasts with 2021 when the PE investments rose on the back of the deployment of PE funds that had been withheld during the COVID period
- Rising cost of capital dampened the return on investments (e.g., US interest rates increased by 3+ % pts. over the last year), geopolitical uncertainty & rising inflation were key drivers for the fall of PE investments in 2022
- While the recessionary outlook is expected to continue through the early part of H1 2023, PE activity is likely to gather momentum in H2 2023 with the current build-up of PE dry powder getting deployed*
- Due to lack of PE activity as well as inflationary pressures impacting margins, valuations have tempered, and these are expected to help drive the pickup in the PE activity by H2 2023*



Strategic M&A deals' split by transaction size (2018-22) ¹

Values in USD Bn

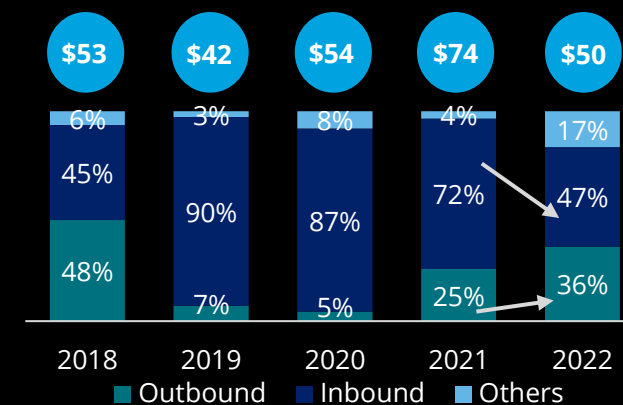


- Mega deals (USD 1 Bn) in Strategic M&A grew 261% between 2021-22 due primarily to consolidation among cash-rich Indian corporates searching for higher market share with their existing sectors
- Low value (< \$ 100M) deals grew 37% primarily due to attractive valuations for strategic buyers and the limited funding available to startups (30% decline in 2022)
- Strategic consolidations is expected to remain in focus through 2023. Well-capitalized Indian corporates are likely to invest acquiring key technology capabilities with large deals likely in sectors such as TMT and Financial services*



Cross border M&A activity (2018-22) ²

Values in USD Bn

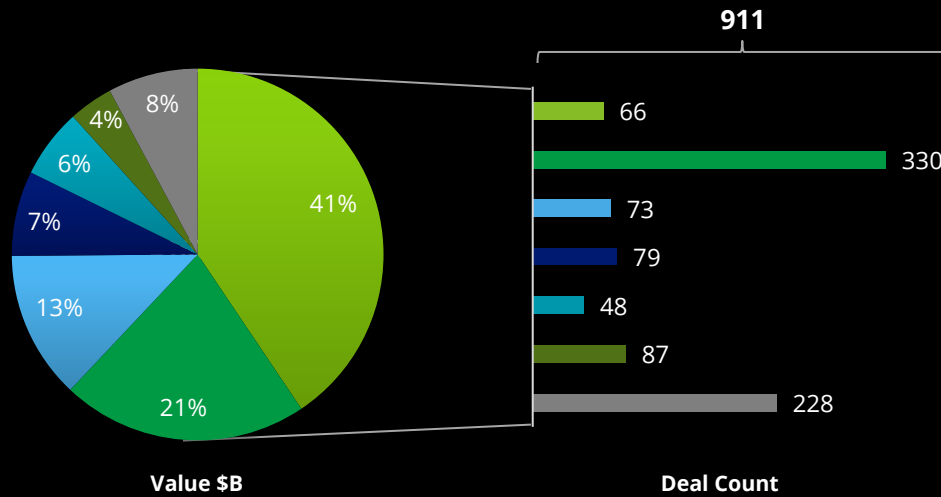


- Outbound deal activity increased 25% between 2021-22 attributable to strong domestic demand and attractive valuations globally
- Medical & Pharma, TMT sectors drove M&A activity contributing 70% to outbound deals by value
- Inbound deal activity, historically driven by US and UK, reduced 44% by value due to fall in investments by these countries as firms focused on conserving cash in an inflationary environment
- With global economic headwinds, continued activity is anticipated in outbound M&A in 2023 as well-performing Indian firms look to make further investments into reasonably valued or stressed assets in international markets*



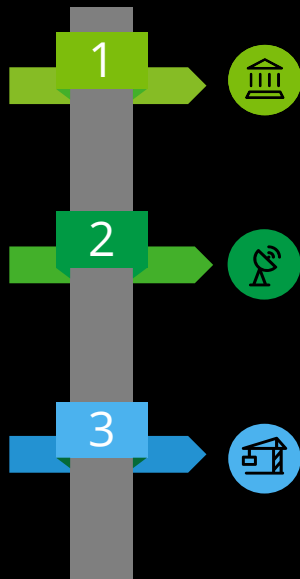
Financial Services, TMT and Construction & Transport are expected to continue to be the key sectors for M&A

M&A deal activity by Sectors in 2022



Primary Drivers for M&A in Top 6 Sectors

Sector	Capital Requirement	Portfolio Restructuring	Unlock value creation / Innovation	Strategic expansion / new markets
Financial Services		Yes		
Technology, Media & Telecom			Yes	
Construction & Transport		Yes		Yes
Medical & Pharma			Yes	
Energy				Yes
Industrial & Manufacturing	Yes			Yes
Others				



- 1. Deal activity by value increased ~2.5x in the **Financial services** sector attributable primarily to deals driven by portfolio restructuring by leveraging cross-selling opportunities and expansion of offerings through investment in fintech and digital capabilities ¹
- *Ongoing adoption of digital tools and the need for transformation is expected to continue driving M&A activity in the BFSI sector in 2023. This will likely be focused on expansion into Fintech as a means of driving credit growth and helping control NPAs*
- 2. The **TMT** sector has seen a transition from being driven by PE activity to strategic deals in 2022; The share of PE has come down from 75% to 40% over the last year, while mergers increased by 47% and divestitures by 53%. Among the top 10 deals in TMT, the major driver was acquisition of technology assets across streaming platforms, health tech and connectivity ²
- *PE driven M&A activity in the TMT sector is expected to revive & return to 2021 levels backed by rising dry powder reserves. Investments are likely to be focused on acquisition of small players / startups specializing in solutions for AI capability enhancement, cloud adoption, and solutions enhanced by 5G availability such as Industry 4.0 solutions*
- 3. Between 2021 and 2022, the deal value in **Construction and Transport** rose 110% driven by the Indian government's push for rapid infrastructure development. Key sectors which witnessed the highest deal activity were cement industry and road / tollway assets. ³
- *Despite the optimism surrounding revival of demand for residential properties and infrastructure projects in 2023, rising margin pressures & rising raw material costs among construction companies. These two factors are likely to offset each other to a great extent. As a result, M&A activity in the Construction & transport sector is expected to grow only moderately in 2023*

1. Top Deals in Financial Services: HDFC Bank and HDFC merger for \$57.2 B, Axis Bank Citi Bank acquisition for \$1.5B

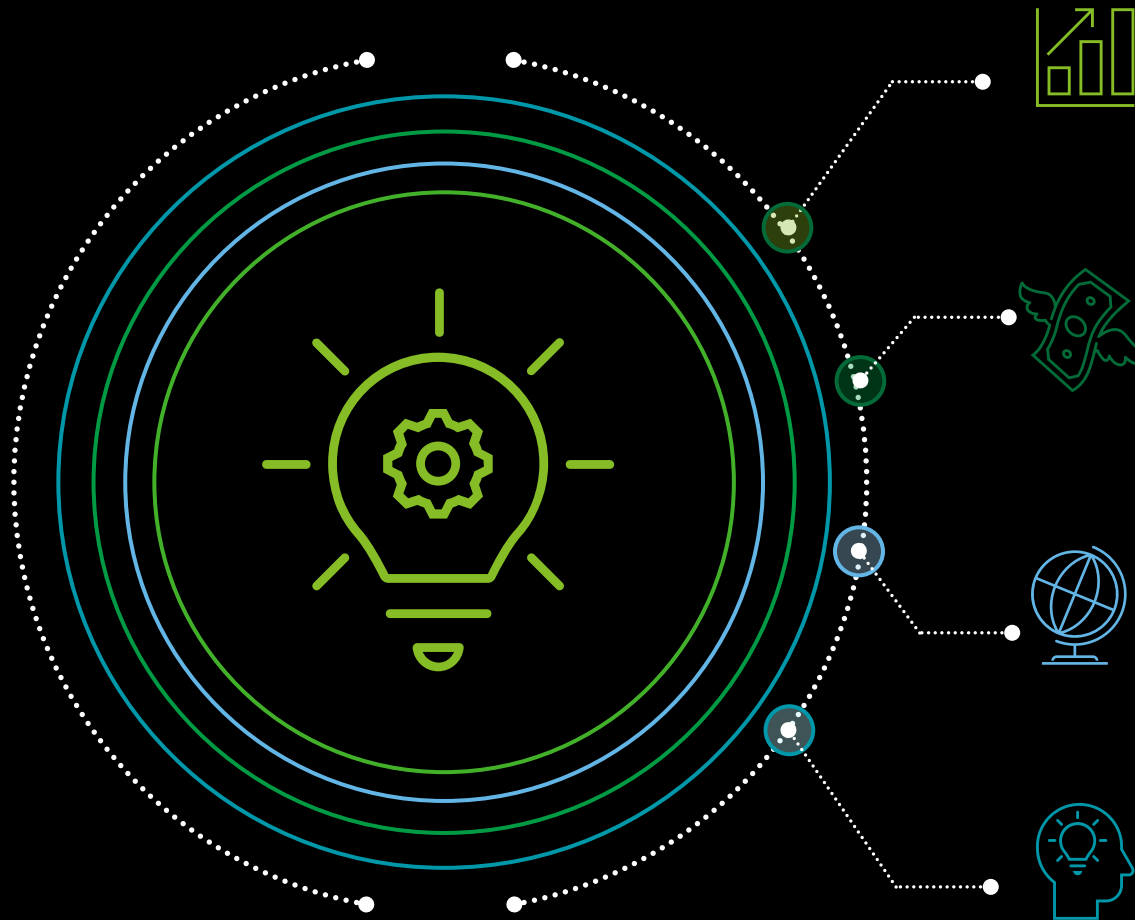
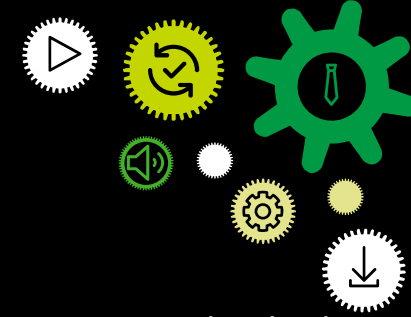
2. Top Deals in TMT: Gol acquisition of BSNL stakes for \$4.1 B, LTI acquisition of Mindtree for \$3.1 B

3. Top Deals in Construction & Transport: Adani Group acquisition of Ambuja Cements for \$8.5 B and ACC Cement for \$1.6 B



Emerging Themes for 2023

India's strong economic fundamentals are expected to continue driving M&A deal activity in 2023



Strategic M&A activity in 2023 is likely to remain strong, backed by rising domestic demand and the domestic companies' healthy balance sheets. Deal activity is expected to rise as cash-rich conglomerates focus their efforts on expanding their presence in the Indian market

PE deal activity is likely to pick up in 2023 backed by expected deployment of dry powder, consolidation of PE portfolios, and availability of more conducive valuations

The **outbound deal activity** of Indian corporates is likely to witness continued growth as they remain resilient during a high global inflationary environment. Indian firms with healthy cashflows are likely to capitalize on global opportunities available at attractive valuations

Technological enhancement and digital initiatives will likely be the driving force for M&A activity in 2023. Companies within sectors such as TMT, Financial Services, and Medical & Pharma sectors are expected to leverage M&A to avail of opportunities presented by tech disruption and gain a competitive edge

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